

# **MEASURING THE HEALTH OF BUSINESS NODES**

**By**

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## **DECLARATION**

I, the undersigned, hereby declare that the work contained in this thesis is my own original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

## **ABSTRACT**

South Africa requires sustained economic growth in order to alleviate the poverty of its urban population.

This study is based on the hypothesis that in order to sustain the existing “good” infrastructure and secure the “high-quality” human resource base of our country, it is necessary to be proactive with regard to the management of commercial/business nodes in order to ensure that they do not deteriorate or become stifled and/or excluded from delivering their full economic potential/contribution towards the urban economy.

This study contains a synopsis of the research conducted by the author on behalf of the City of Cape Town – Economic Development and Tourism Directorate during 2003. The purpose was to develop a uniform model to ascertain and monitor the economic health of business areas within the Cape Town metropole. The research was presented to the City of Cape Town in the form of a protocol, which has subsequently been utilised to establish economic profiles for the Athlone Central Business District, Gatesville/Rylands business centre and Airport Industria.

The focus and purpose of the protocol was to place the City Council in a position whereby the relative economic health of specific business/mixed-use areas within the Cape Metropolitan Area can be properly assessed, selected interventions made where necessary and results monitored. The point of departure that was adopted from the outset was that the assessment need not just relate to negative trends or indications of economic distress, but that there is substantial merit in assessing nodes that are seemingly “getting it right” or “booming”.



## OPSOMMING

Suid-Afrika benodig volgehoue ekonomiese groei ten einde die armoede van sy stedelike bevolking te verlig.

Hierdie navorsing is gebaseer op die hipotese dat ten einde die bestaande “goeie” infrastruktuur te handhaaf en ons land se menslike hulpbronbasis van hoë gehalte te verseker, dit nodig is om proaktief te wees ten opsigte van die bestuur van kommersiële/sakepunte ten einde te verseker dat hulle nie agteruitgaan of doodwurg en/of uitgesluit raak van die lewering van hulle volle ekonomiese potensiaal/bydrae tot die stedelike ekonomie nie.

Hierdie tesis bevat 'n sinopsis van die navorsing wat die outeur gedurende 2003 namens die Stad Kaapstad – Direktoraat: Ekonomiese Ontwikkeling en Toerisme – gedoen het. Die doel was die ontwikkeling van 'n eenvormige model om die ekonomiese welstand van sakegebiede binne die Kaapstadse metropool te bepaal en te monitor. Die navorsing is in die vorm van 'n protokol aan die Stad Kaapstad gelewer. Die protokol is daarna aangewend om ekonomiese profiele vir die Athlone Sentrale Sakegebied, Gatesville/Rylands sakesentrum en Airport Industria op te stel.

Die fokus en doel van die protokol was om die Stadsraad in 'n posisie te plaas waardeur die relatiewe ekonomiese welstand van spesifieke sakegebiede of gebiede met verskillende ondernemings in die Kaapse Metropolitaanse Gebied behoorlik geassesseer kan word, geselekteerde intervensies waar nodig gemaak kan word en resultate gemonitor kan word. As uitgangspunt is van die begin aanvaar dat die behoefte aan assessering nie net met negatiewe tendense of aanduidings van ekonomiese nood verband hou nie, maar dat daar ook wesenlike meriete lê in die assessering van gebiede wat op die oog af “dinge regkry” of “floreer”.



## **ACKNOWLEDGEMENTS**

I am honoured to have been afforded the opportunity to return to an academic institution in pursuit of supplementing my education and knowledge base, albeit midway through my career.

To my kith and kin who have provided me with the energy and their unwavering belief that I could achieve this, thank you, with very special acknowledgement of support from Tamra and Kerry Capstick-Dale, Dr Lorna J Martin and Colin Bird.

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## TABLE OF CONTENTS

|  | Page No.  |
|--|-----------|
| <b>CHAPTER 1</b>   | <b>1</b>  |
| INTRODUCTION   |           |
| 1.1 CHAPTER OUTLINE  | 1         |
| 1.2 PROBLEM STATEMENT  | 2         |
| 1.3 BACKGROUND   | 2         |
| 1.4 RESEARCH QUESTION  | 4         |
| 1.5 CURRENT CONTEXT  | 6         |
| 1.6 HISTORICAL CONTEXT OF URBANISATION IN SOUTH AFRICA                         | 7         |
| 1.7 LEGISLATIVE ROLES AND RESPONSIBILITIES                                     | 8         |
| 1.7.1 Roles and Responsibilities   | 8         |
| 1.8 STUDY APPROACH   | 11        |
| 1.9 CONTENT OF THE THESIS  | 13        |
| 1.9.1 Literature Study   | 13        |
| 1.9.2 Case study   | 13        |
| 1.9.3 Advocated Model to Ascertain and Monitor the Health of<br>Business Nodes | 13        |
| 1.9.4 Conclusion and Summary   | 14        |
| <b>CHAPTER 2</b>   | <b>15</b> |
| LITERATURE STUDY   |           |
| 2.1 INTRODUCTION   | 15        |
| 2.2 DEVELOPMENT  | 16        |
| 2.2.1 Introduction   | 16        |
| 2.2.1.1 Overview of Development Theories                                       | 16        |
| 2.2.1.2 Inter-linkages   | 18        |
| 2.2.2 Development Local Government   | 18        |
| 2.2.3 Development Planning   | 19        |
| 2.3 ECONOMIC DEVELOPMENT   | 22        |
| 2.3.1 Urbanisation and Economic Growth   | 22        |
| 2.3.2 Urban Development in South Africa  | 24        |
| 2.3.3 Local Economic Development   | 25        |
| 2.4 SPATIAL AND ECONOMIC DEVELOPMENT   | 26        |
| 2.4.1 Past Policies of Spatial Distribution                                    | 26        |
| 2.4.2 Hierarchy of Spaces  | 27        |
| 2.4.3 Urban Regeneration   | 28        |
| 2.4.4 Business Areas   | 29        |
| 2.4.5 Engaging Citizenry   | 30        |
| 2.5 CONCLUSION   | 30        |



**CHAPTER 3 \_\_\_\_\_ 32****CASE STUDY: THE METHODOLOGY ADOPTED TO ESTABLISH A  
PROTOCOL TO ASCERTAIN AND MONITOR THE HEALTH OF BUSINESS  
NODES IN THE CAPE METROPOLE**

|     |  |    |
|-----|--|----|
| 3.1 | INTRODUCTION _____                                       | 32 |
| 3.2 | BACKGROUND _____   | 33 |
| 3.3 | OVERVIEW _____   | 35 |
| 3.4 | FOCUS AND PURPOSE _____                                  | 36 |
| 3.5 | ADVOCATED UNDERLYING PRINCIPLES _____                    | 37 |
|     | 3.5.1 Promoting Economic Development _____               | 38 |
|     | 3.5.2 Area Selection _____                               | 39 |
|     | 3.5.3 Identifying the Decision Makers _____              | 40 |
|     | 3.5.4 Understanding the Decision-Making Influences _____ | 41 |
| 3.6 | CASE STUDY OBJECTIVES AND DATA ANALYSIS _____            | 42 |
| 3.7 | CHAPTER SUMMARY _____                                    | 43 |

**CHAPTER 4 \_\_\_\_\_ 44****ADVOCATED MODEL TO ASCERTAIN AND MONITOR THE HEALTH  
OF BUSINESS NODES**

|     |  |    |
|-----|--|----|
| 4.1 | CHAPTER OUTLINE _____  | 44 |
| 4.2 | INTRODUCTION _____   | 44 |
| 4.3 | PROCESS-DRIVEN APPROACH _____  | 45 |
| 4.4 | USE OF ACCUMULATED DATA _____  | 46 |
|     | 4.4.1 Quantitative Data _____  | 47 |
|     | 4.4.2 Qualitative Data _____   | 48 |
| 4.5 | PERFORMANCE MANAGEMENT SYSTEMS AND REVIEW OF DATA _____                | 48 |
|     | 4.5.1 Introduction _____   | 48 |
|     | 4.5.2 Legislation Performance Management and Data Review Process _____ | 48 |
|     | 4.5.3 Contractual Performance _____                                    | 49 |
|     | 4.5.4 Economic Data Collection Review _____                            | 49 |
|     | 4.5.5 Perception Auditing _____  | 50 |
|     | 4.5.6 Financial Auditing _____   | 50 |
|     | 4.5.7 Composite Business Health Evaluation _____                       | 50 |
| 4.6 | RECOMMENDED PROCESS _____  | 50 |
| 4.7 | PROJECT PLANNING AND TIMESCALES _____                                  | 53 |
| 4.8 | CHAPTER SUMMARY _____  | 54 |

**CHAPTER 5 \_\_\_\_\_ 55****SUMMARY AND CONCLUSIONS**

|     |   |    |
|-----|---|----|
| 5.1 | SUMMARY OF STUDY _____                              | 55 |
| 5.2 | CONCLUSIONS _____                                   | 56 |
|     | 5.2.1 The Relevance of Business Nodes _____         | 57 |
|     | 5.2.2 Understanding Economics versus Planning _____ | 57 |



|                   |           |
|-------------------|-----------|
| <b>REFERENCES</b> | <b>59</b> |
|-------------------|-----------|

|                 |           |
|-----------------|-----------|
| <b>APPENDIX</b> | <b>61</b> |
|-----------------|-----------|

## 1. MODEL RESEARCH TEMPLATE

### LIST OF FIGURES

|  |   |
|--|---|
| Figure 1: Progression of the research question | 3 |
|--|---|

|  |   |
|--|---|
| Figure 2: Aims of proactive nodal management | 5 |
|--|---|

|                                  |    |
|----------------------------------|----|
| Figure 3: Overview of the thesis | 12 |
|----------------------------------|----|

|   |    |
|---|----|
| Figure 4: Process flow to establish and monitor health of a business node | 51 |
|---|----|

### LIST OF TABLES

|          |   |    |
|----------|---|----|
| Table 1. | Definition of Development - Local Government Municipal Systems Act, 2000. | 21 |
|----------|---|----|

|          |   |    |
|----------|---|----|
| Table 2. | Preamble - City of Cape Town City Improvement District By-Law | 34 |
|----------|---|----|

|          |                          |    |
|----------|--------------------------|----|
| Table 3. | Recommended process flow | 54 |
|----------|--------------------------|----|

## CHAPTER 1

### INTRODUCTION

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#### 1.1 CHAPTER OUTLINE

This chapter introduces the core theme of this thesis in the form of a problem statement – *business nodes being the traditional locales of commerce are vitally important to the prosperity of and future economic growth of our cities*. This premise is explored within the context of South Africa's de facto increasing urbanisation, concomitant urban development and the challenge of managing such development for the optimum good.

Inherently inequitable infrastructure development arising from South Africa's past complicates this question. Hence this chapter uses these inequalities, which manifest themselves in urban sprawl; inequitable levels of service provision; low suburban population density; and the concentration of the poor in relatively high-density areas on the urban peripheries as the backdrop of this study and the posed research question – *what is the relevance and purpose of the commercial/business nodes of our cities?*

Furthermore, as South Africa is a developing country, the role of the various spheres of government in relation to the management of urban nodes cannot be ignored. Hence an outline of the legislative environment has been included to examine the various roles and responsibilities mandated by South Africa's Constitution and, more specifically, the municipalities,<sup>1</sup> which are charged to act as the 'custodians' of our cities and towns.

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<sup>1</sup> For the purposes of this document the term 'municipality' is used with the implied reference to 'local authority'.



## 1.2 PROBLEM STATEMENT

This study is based on the hypothesis that in order to sustain the existing “good” infrastructure and secure the “high-quality” human resource base of our country, *it is necessary to ensure that our business nodes do not deteriorate or are not restrained from delivering their full economic contribution towards the urban economy.*

If we accept the reasoning that cities cannot survive without on-going infrastructure investment or the presence of human capital, then we may ask: what action, if any is required?

Furthermore, if we deem that *commerce is a sought-after catalyst to drive the economic growth of a city*, this in turn gives rise to the question as to *how does one retain and economically enhance our city dwellers while securing investment?*

To address this question we must additionally attempt to examine the spatial framework of our cities in order to understand how relevant business nodes are to the successful functioning of the South African urban conglomerations in which they are located.

## 1.3 RESEARCH QUESTION

In considering the above view, the primary question that has been posed is: how relevant, within the composition of any city, are its specific commercial/business nodes?

It follows from this that, if the business areas of the respective cities are regarded as significant – arguably their economic engine or key ‘players’ and the advocated solution is proactive management of business nodes – the next question is: how does the city’s municipality and the invested community<sup>3</sup> go about establishing and monitoring the economic health of such nodes?

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<sup>3</sup> The term ‘invested community’ is intended as an all-inclusive term which includes the property owners, business operators, shop keepers and users of the respective area.



It should be noted that this paper seeks only to explore the worth of establishing an objective, replicable measure of establishing the health of any business node. Such measure should indicate the nature and extent of any declining economic health and or the presence and the nature of any upward economic growth. This paper does not explore the various types of possible intervention or attempt to analyse the models available to the public/private sectors.

The research question has been framed as the hypothesis that *the successful management of commercial nodes will result in the retention of and the economic enhancement of our city dwellers while securing investment*. The following flowchart (Figure 1), illustrates the initial progression from the theme to the hypothesis:

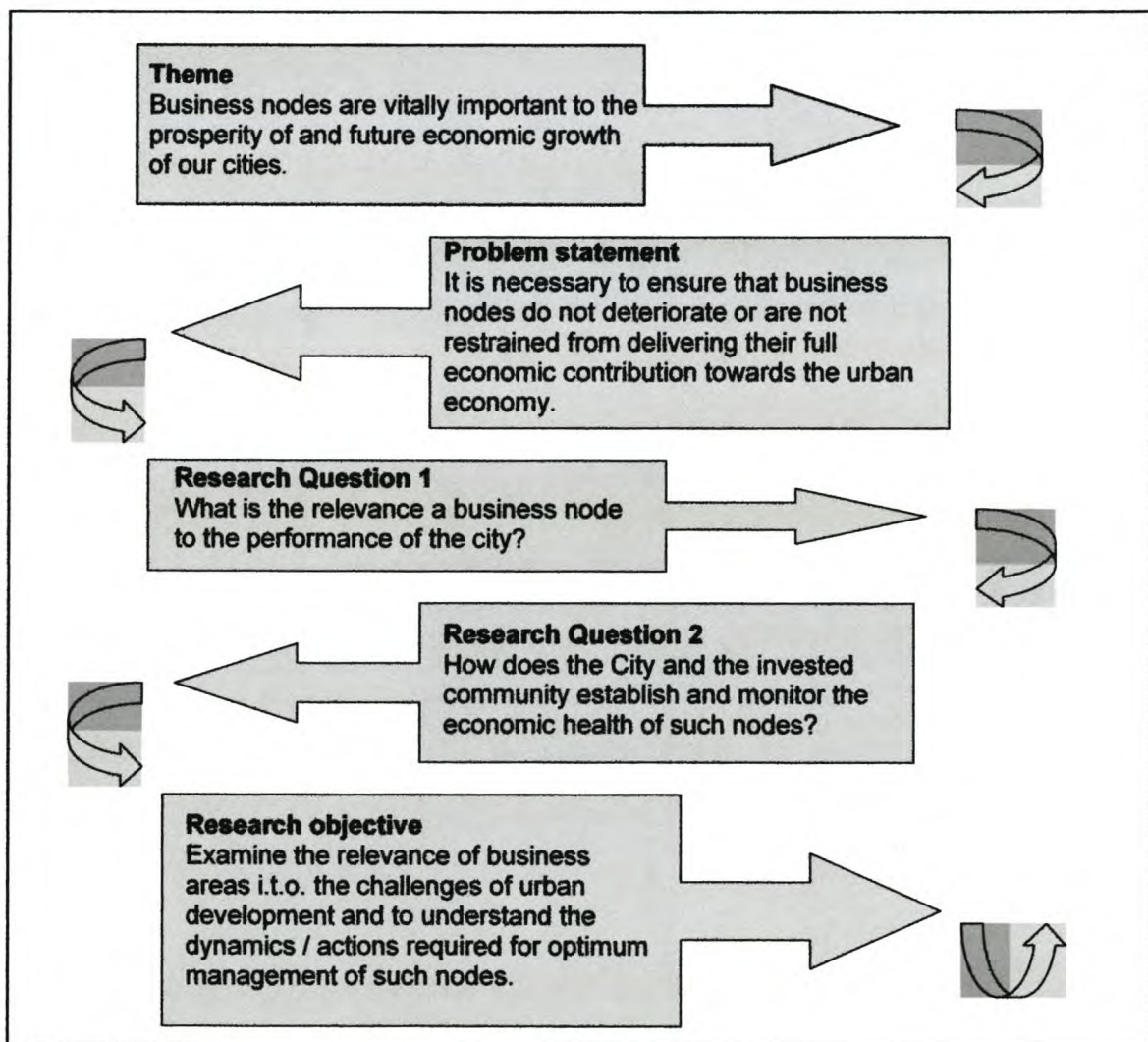


Figure 1: The progression of the research question



Chapter 4 further outlines the model that can be used to establish verifiable, meaningfully interpretable data for the object of establishing the economic health of any defined business node. It is advocated that such data would then form the basis (especially in a South African context) to allow the respective city managements to recognise that urban areas are subject to cycles of excellence and adversity.

## 1.4 BACKGROUND

The current realities and advocated governmental approach towards the management of our cities are succinctly contained within the National Department of Housing's Urban Development Framework (UDF). According to this, "South Africa's metropolitan areas have well functioning urban economies that produce and distribute a wide variety of goods and services both nationally and internationally. A number of intermediate cities and towns have shown the way towards locally-based economic growth and development, *grounded in careful planning, participation and an emphasis on home-grown strengths*" (Republic of South Africa: UDF 1997:6, my emphasis).

The same document adopts the premise that "these urban economies are supported by good urban infrastructure and a high quality human resource base. *The consolidation, extension and more equitable distribution of urban infrastructure have the potential to significantly contribute to the creation of employment opportunities and to alleviate the poverty of the growing urban population*" (RSA: UDF 1997:7, my emphasis).

Thus this research paper seeks to examine the relevance of business areas with regard to the challenges of urban development and to understand the dynamics and actions required for the optimum management of such nodes. In an effort to address the aforementioned questions, *it is proposed that the initial step is to be proactive with regard to the management of commercial/business nodes.*

The aim of such advocated proactive management is three-fold:

- Firstly, to collect data in order to highlight problem areas and prevent the deterioration of existing infrastructure;
- Secondly, to analyse and present findings in a manner which will aid decision making with regard to future infrastructure investment;
- Thirdly, determine the means to ensure that our human capital is not stifled nor excluded from realising its full economic potential and delivering its much-needed contribution towards the urban economy.

The advocated proactive management approach, combined with the proposed steps to be taken to ensure the adequate assessment of the economic health of any node, is illustrated in Figure 2:

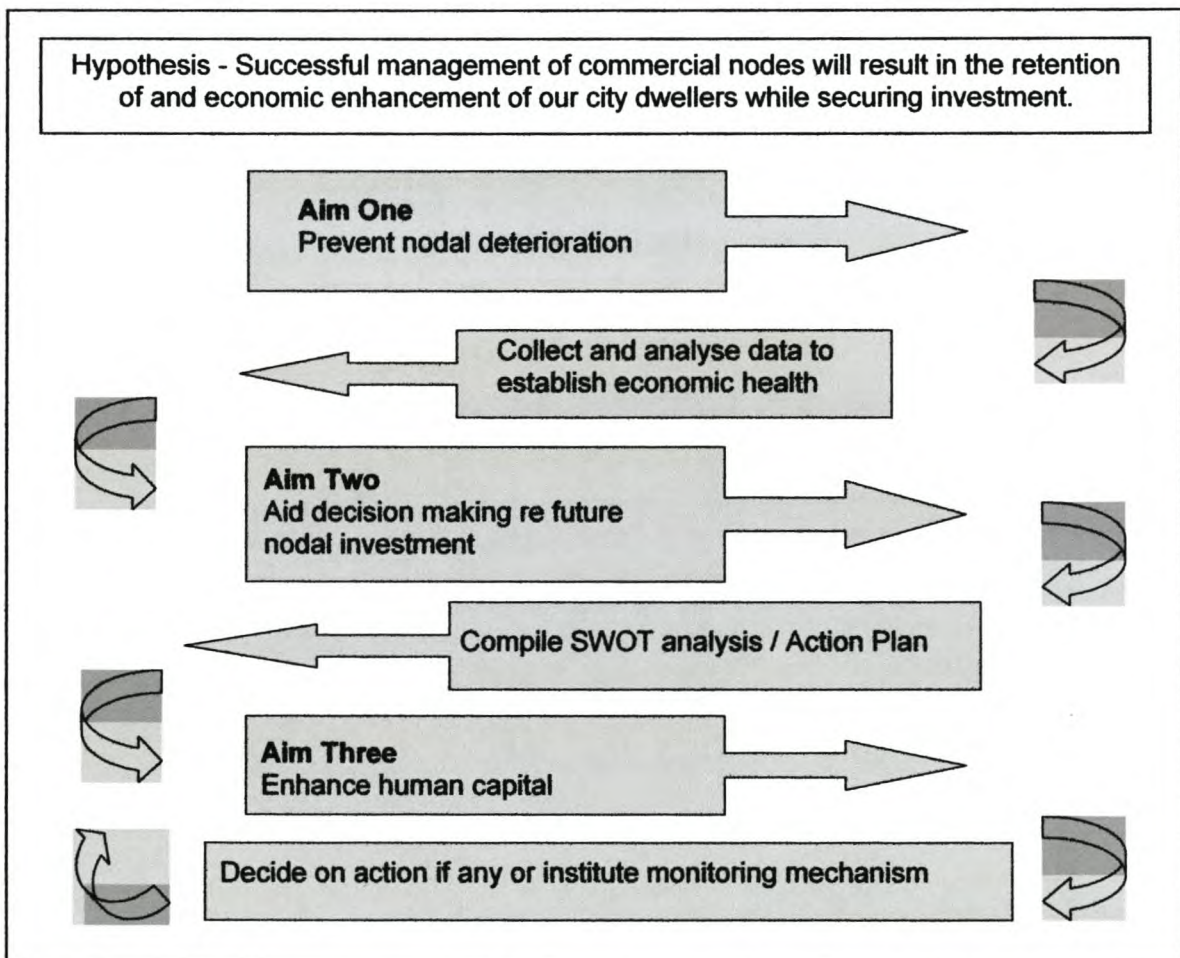


Figure 2: Aims of proactive nodal management.



## 1.5 CURRENT CONTEXT

The economic and financial potential of urban revitalisation contained in the aforesaid Urban Development Framework implies that, from a South African perspective (RSA: UDF 1997:7), “the experience gained in designing, managing and implementing the Special Presidential Projects on Urban Renewal provides useful lessons which can be applied at a broader level... these projects have revealed the intricacies of delivering developmental outputs such as infrastructure, housing, community facilities, jobs, environment and recreational facilities in an integrated and sustainable way. They have also exposed the dynamics of institutional capacities; intra- and inter-governmental relations; civic, public and private partnerships; as well as the social and political dynamics of change. We are now more knowledgeable in managing strategic interventions for urban development.”

Furthermore, it states that in order “to achieve a consistent urban development approach for effective urban reconstruction and development, it is essential that we share a common vision of the future development of our urban areas” (RSA: UDF 1997:7).

Its urban vision concludes with the premise that government is committed to ensure that its policies and programmes support the development of urban settlements that will by 2020 be “centres of vibrant urban governance, managed by democratic, efficient, sustainable and accountable metropolitan and local governments in close co-operation with civil society and geared towards innovative community-led development” (RSA: UDF 1997:7)

From Cape Town’s perspective, being the capital of the Western Cape, the City of Cape Town (Western Cape Provincial Development Council 2002:3) states that in order to “establish and maintain habitable, stable and sustainable public and private residential environments”, a number of key strategies need to be put in place. Included in these is the need to finalise the sustainable multi-year housing delivery strategy, promote urban integration through residential intensification and thereby contain the urban sprawl and to finalise the land pricing to enable affordable housing.



In 2002 the City of Cape Town estimated that the housing backlog then affected about a quarter of a million families, with the city's housing demand increasing by about 9000 families per year. Most of those requiring housing (100 000) lived in informal settlements, with others living in shacks on serviced sites or in backyard shacks. At the time the City was landlord to about 90 000 customers, most of whom lived in rental units, home-ownership units or hostel beds. To effectively respond to the housing needs, the City estimated it required approximately 30 000 new housing opportunities annually. However, resource limitations were allowing only 14 000 such new opportunities to be created per year, with the backlog consequently continuing to escalate.

## **1.6 HISTORICAL CONTEXT OF URBANISATION IN SOUTH AFRICA**

When considering a means of intervention, it is necessary to remain mindful of the planning orthodoxy that was applied in the previously segregated South African society for the purpose of promoting the advancement of one segment of the population over and above all others.

The UDF accurately states that:

“Apartheid spatial planning has left very deep scars on the spatial structure of our cities, towns and rural areas, and the lives of millions of individuals and households. Human settlements are characterised by spatial separation of residential areas according to class and population groups, urban sprawl; disparate levels of service provision; low levels of suburban population density; and the concentration of the poor in relatively high density areas on the urban peripheries and the wealthy in the core and intermediate areas. These factors make South African human settlements inequitable, inefficient, unsustainable and expensive to manage and maintain, as well as exacerbating poverty and unemployment.” (RSA: UDF 1997:25)

The same document goes on to highlight the crux of the issue by arguing that, although the post-apartheid government has instituted a range of policies to integrate



human settlements, to enhance economic efficiency, to facilitate the provision of affordable services and to enable social development, institutional practices and market forces were tending to reinforce spatial divisions rather than assisting and promoting urban integration.

## **1.7 LEGISLATIVE ROLES AND RESPONSIBILITIES**

### **1.7.1 Roles and responsibilities**

Although the Constitution of the Republic of South Africa (RSA: Constitution: 1996) does not specifically refer to urbanisation, it does stipulate that all citizens shall have access to:

- An environment that is not harmful to their health or well-being;
- Adequate housing;
- Health care services;
- Sufficient food and water; and
- Basic education.

The Constitution is clear that it is the obligation of the government to ensure that such basic human rights are met and it enables the creation of the necessary legislation. The provision or delivery of the above “package” of human rights is envisaged by means of co-operative governance between all three tiers of government. National and provincial spheres must deliver by means of development programmes, and local government must carry out their “development duties”. Such duties are stipulated in the constitutional injunction to local government to “structure and manage its administrative and budgeting and planning processes to give priority to the basic needs of the community and to promote social and economic development of the community” (RSA: Constitution) 1996:70.

Additionally Section 152 (1996:70-71) stipulates the objects of local government and developmental duties of municipalities; as being necessary:

- “(a) to provide democratic and accountable government for local communities;
- (b) to ensure the provision of services to communities in a sustainable manner;



- (c) to promote social and economic development;
- (d) to promote a safe and healthy environment; and
- (e) to encourage the involvement of communities and community organisations in the matters of local government.”

In addition, it states that local government should participate in national and provincial development programmes.

The White Paper on Reconstruction and Development in South Africa (RSA 1994:4) states that an integrated process of transformation must ensure that the country “develops strong and stable democratic institutions and practices characterised by representativeness and participation to become a fully democratic and non-racial society” and that it “becomes a prosperous society having embarked upon a sustainable and environmentally friendly growth and development path that addresses the moral and ethical development of society”.

In terms of a national framework of various laws and policies, national government has set out to support urban development throughout South Africa. The Urban Development Framework (RSA: UDF 1997:32) identifies that there are “two interrelated levels to the quest for promoting urban economic development”, namely:

- (1) The need to promote the economic competitiveness of urban locations in an international stage as a basis for promoting growth, generating employment, and developing markets; and
- (2) The harnessing of local resources within cities and towns as the basis for creating locally driven urban economic development.

It qualifies the role of provincial government as “within the national context, to establish a provincial framework of laws, policy and funding mechanisms sensitive to the specific realities and needs of the cities and towns within the province and capacity building and support for municipalities”.



From the perspective of unpacking the urban development roles and responsibilities of the various spheres of government, the Urban Development Framework correctly defines the primary responsibility of municipalities / local authorities as being “to ensure integrated urban planning and management for the efficient functioning of cities and towns” (RSA: UDF 1997:35).

As a means of ensuring the outcome of developmental local government, the White Paper on Local Government (RSA White paper 1998) proposed the introduction of performance management systems into local government structures.

Following through on this introduction, the promotion of developmental local government is cemented by the enactment and application of the cornerstone legislation, namely the Local Government: Municipal Systems Act, 2000 (No. 32 of 2000).

The Municipal Systems Act defines the foundation upon which any municipality is expected to carry out its primary responsibility to ensure integrated urban planning and management for the efficient functioning of cities and towns. The key mechanisms advocated through national legislation are integrated development plans. Section 25 (2000:29) spells out the purpose of such plans as follows:

- “(1) Each municipal council must, within a prescribed period after the start of its elected term, adopt a single, inclusive and strategic plan for the development of the municipality which –
  - (a) links, integrates and co-ordinates plans and takes into account proposals for the development of the municipality;
  - (b) aligns the resources and capacity of the municipality with the implementation of the plan;
  - (c) forms the policy framework and general basis on which annual budgets must be based;
  - (d) complies with the provisions of this Chapter; and
  - (e) is compatible with national and provincial development

plans and planning requirements binding on the municipality in terms of legislation.”

The case study included in this work introduces a practical guide intended to allow municipalities to ascertain the current status of a node and implement a procedure that allows monitoring on an ongoing basis of improvement and or deterioration. It is intended that this monitoring would (on a basic level) inform the future integrated development planning deliberations considered by the respective city managements.

## **1.8 STUDY APPROACH**

This work has been framed as a partial case study that explains the possible application of the case study in attempting to support the hypothesis. That is to *promote the concept of managing business nodes in order to positively influence the attendant urban development.*

The secondary purpose of this work is to attempt to scrutinise the case study in order to *use the outlined procedure to ascertain and monitor the economic health of business nodes as a means of practical intervention.* The protocol and supporting ‘model research template’ (Annexure 1) are intended to assist municipalities to address the very basic question – what are the current strengths, weaknesses opportunities and threats facing the respective locales of our city’s commercial sector?

The following illustration (Figure 3) shows the intended linkages between the core theme: business nodes being the traditional locales of commerce are vitally important to the prosperity of and future economic growth of our cities and the contents of this work.



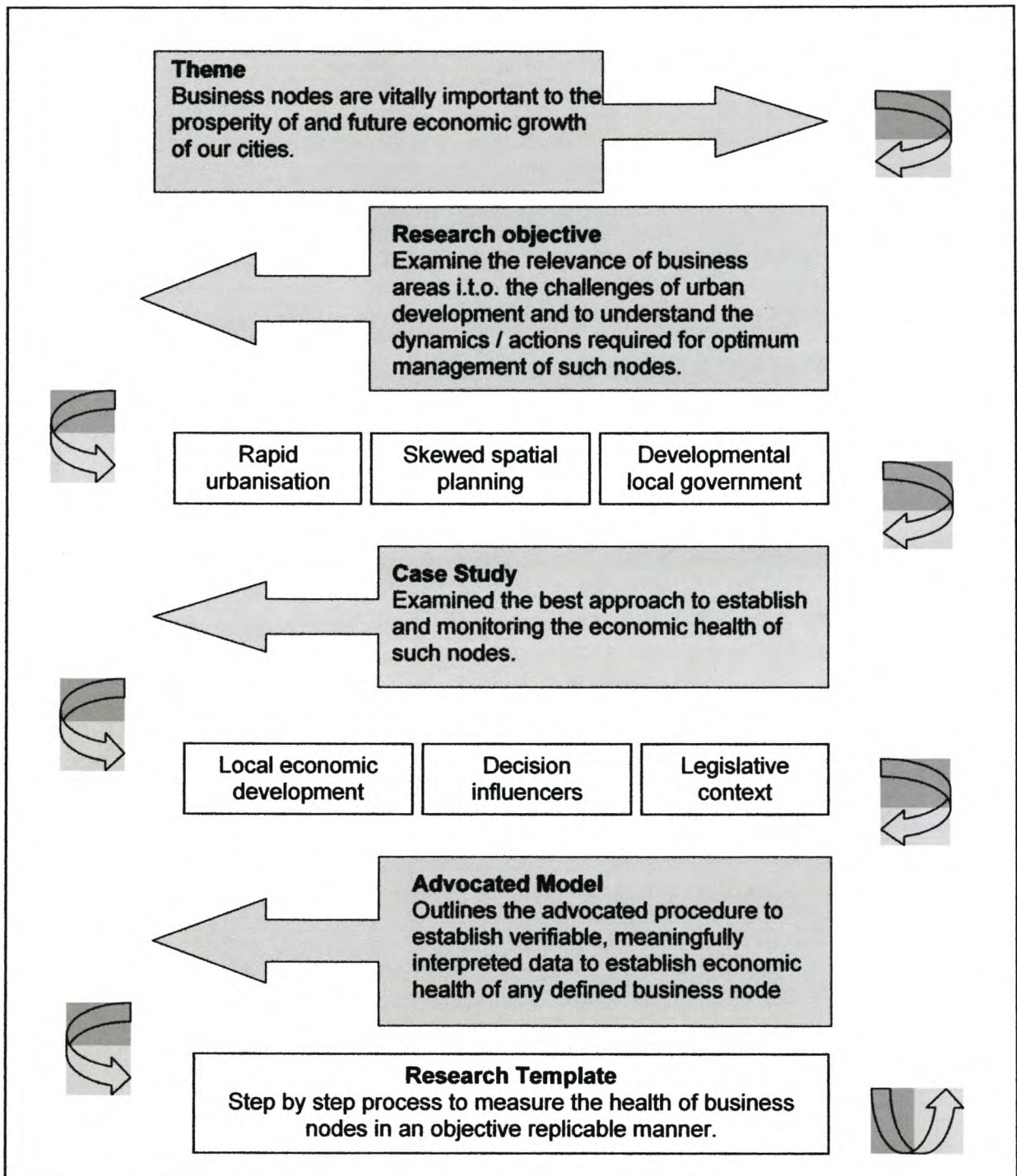


Figure 3: Overview of the thesis

## **1.9 CONTENT OF THE THESIS**

### **1.9.1 Literature Study**

Chapter Two outlines the planning context within which the relevance of business areas/economic contribution and the management of urban development can be examined. It addresses the concepts of development, economic development, and spatial and economic development.

Within these sections the historical background is outlined from a global and local perspective, highlighting the traditional understanding of space and the evolution of spatial planning. Furthermore, it outlines the various views and points of departure that have been proffered regarding the dynamics and challenges of the urban development continuum. That is developmental local government, local economic development and urban regeneration.

### **1.9.2 Case Study**

Chapter Three, in the form of a 'case analysis', analyses the approach that was adopted when establishing the desired procedure to ascertain and monitor the economic health of business nodes. Additionally it attempts to explain the relevance of the underlying principles: the promotion of economic development, and the importance of decision makers with regard to infrastructure and capital investment. Understanding what influences decision makers and the establishing a selection mechanism for identifying possible areas for monitoring/profiling their respective business health.

The focus and objectives of the case study are stated against the backdrop of the legislative / enabling mechanisms available to the City of Cape Town.

### **1.9.3 Advocated model to ascertain and monitor the health of business nodes**

Chapter Four introduces the model, which sets out the advocated way to research the dynamics of a designated business node. The model is intended to be used as a practical guide to enable, firstly, the understanding the issues; secondly, the



collection of data in a replicable fashion; thirdly, identification of objectives; and lastly, the engagement with the relevant stakeholders.

The case study (Chapter Three) and the dissection of the approach contained in Chapter Four stop short of exploring the various types of interventions/vehicles available to the public and or private sectors. The underling aim of the case study is to provide a better basis to make decisions regarding the *need* for any intervention. The form and optimum constitution of such initiatives is beyond the scope of this work.

Similarly, the subsequent suggested methodology (refer to the template contained in the annexure) merely aims to prevent insufficiently monitored interventions and not to set out interjectory mechanisms.

#### **1.9.4 Conclusion and Summary**

Chapter Five sums up the golden thread of the work. That is, being that business nodes are important to the prosperity of and future economic growth of our cities, the successful management of commercial nodes will result in the retention of and the economic enhancement of our city dwellers while securing investment. The product of this study is thus the designing a procedure that assists with optimising the performance of business areas in a holistic and accountable manner.

## **CHAPTER 2**

### **LITERATURE STUDY**

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#### **2.1 INTRODUCTION**

This chapter seeks to sketch the planning context within which the role of business areas and the management of urban development can be examined. It explores the argument that it is vital to engage the investor communities of these 'locales of commerce'. This is in to order secure their input into understanding the economic dynamics and the push-pull factors that ultimately influence the future of the respective area.

Furthermore, it outlines the various views and points of departure that have been proffered in order to understand the dynamics and challenges of the urban development continuum.

It outlines the traditional understanding of space and the evolution of spatial planning, including the modern-day jargon of development planning, developmental local government and local economic development. It is contended that these facets of urban management are a consequence of the rapid urbanisation - an acknowledged global phenomenon. The chapter focuses in particular on South Africa, given its increased complexity due to the inherited spatial inadequacies outlined in the previous chapter.



## 2.2 DEVELOPMENT

### 2.2.1 Introduction

Within a global context of poverty and increasing urbanisation, the “have/have not” determinants vary widely and may have a different meaning for different communities, but in the author’s opinion the determinants are fairly representative of the aspirations of the poor. These aspirations are echoed in similar recurring vocabulary used to define and conceptualise development. By the author’s understanding, *development is about the maximisation and optimum usage of assets, arguably for the benefit of all.*

#### 2.2.1.1 Overview of Development Theories

The approaches and understanding of what is meant by development have evolved. After the end of the Second World War, reconstruction programmes commenced following the United States’ Marshall Plan addressing rebuilding across Europe (Burkey 1993:26). The Marshall Plan was a blueprint plan, setting forth economic development, industrial and investment strategies and social upliftment. Its success led to the belief that similar blueprints could be devised and utilised to assist Third World countries. This concept has been proven to be inadequate over the past three decades, and various perspectives and approaches have been adopted and discarded in an attempt to find the means to ‘develop’ the Third World.

These perspectives can be broadly categorised into ‘positivist’ and normative’ approaches, the former being classed as a ‘limiting’ preoccupation with addressing how development actually occurs, and the latter as a newly advocated view, focusing on how development should take place. The normative approaches “focus on the content of development rather than the form” (Burkey 1993:28).

The positivist approaches outlined by Burkey are described below.

*Modernisation Theory* - This approach is seen to have its origins entrenched within capitalism and the Western economy. It propagates the “trickle-down” effect; economic growth benefits all by means of profit and savings being invested in the



economy, thus promoting growth and opportunity across the population spectrum and facilitating “modernisation”.

*Dependency Theory* - This theory can be viewed as the mirror image of the modernisation theory. It hinges on the failure or short-comings of the former, advocating that capitalist countries in fact promoted dependency to their continued advantage, and the emphasis on a free market economy further entrenched the divide between developed (central) and under-developed (peripheral) nations.

*Global Interdependence* - This was an “attempt to define a more universal approach to development, incorporating the complex relationships between both central and peripheral development, in other words, theories stressing global interdependence” (Burkey 1993:29). This approach represents the dawning reality that no one wins in the face of the considerable economic / wealth disparity and development disparity across the globe. It propagates that it is in the developed and under-developed countries’ joint interests to address, and even restructure, the current economic systems.

The normative approaches outlined by Burkey are described below.

*Basic Needs* - The International Labour Organisation adopted this approach in 1996, aligned with the Basic Needs Indicators addressed in the poverty alleviation concepts; it suggests that intervention is required to ensure that development strategies cater for the basic needs of the population as “economic growth in the aggregate did not necessarily eliminate poverty” (1993:31).

The critics of this approach are (justifiably to my mind) concerned that the focus on and / or provision of basic needs for the less fortunate does not equate to building self-sufficiency or capacity to improve one’s standard of living without help.

*Eco-development* - This line of thinking introduces and takes cognisance of the global environment and the consequences of human being’s exploitation (often for short-term gain) of natural resources (deforestation, hydroelectric damming schemes, greenhouse effect, etc.). “Eco-development is therefore a developmental philosophy



that aims to make efficient use of the natural and human resources of a specific region in such a way that provides in the minimum for the basic needs of the people living there, while at the same time maintaining a viable ecological environment” (1993:32).

#### **2.2.1.2 Inter-linkages**

From the above overview one can grasp the inter-linkages between development - upliftment - modernisation - improved quality of life - and the envisaged levelling of the global playing fields.

There is a growing understanding that economic plans, monetary systems and development packages cannot be globally transplanted. The reality has dawned that successful quick fixes are few and far between, issues are nation and location specific, consultation with the people and targeted communities is imperative, and that maybe ‘new’ standards should be determined in order to establish the ‘development’ goal posts.

#### **2.2.2 Developmental Local Government**

According to Groenewald (1999), the White Paper on Local Government (1998) follows the provisions made in the Constitution of the Republic of South Africa Act (108 of 1996) and promotes the idea of developmental local government (RSA White Paper 1998: 17-36).

He explains that developmental local government is defined as follows:

Local government - committed to working with citizens and groups within the community to find sustainable ways to meet their social, economic and material needs and improve the quality of their lives. (1999:17)

Development on the local level is seen as being linked to the democratisation process and the inclusion of citizens and community groups in the design and delivery of municipal programmes (1999:20). Four key develop outcomes of local government are aimed at, (RSA White paper 1998:22):

- Provision of household infrastructure and services;
- Creation of liveable integrated cities, towns and rural areas;
- Local economic development;
- Community empowerment and redistribution.

The tools and approaches for achieving these outcomes are classified under three headings (1998:26):

- Integrated development planning and budgeting;
- Performance management;
- Working together with local citizens and partners.

### **2.2.3 Development Planning**

From this point of departure, Pienaar in a paper entitled “Regional Planning Strategy for South Africa” identifies that “it is of great importance that the South African regional development strategy must be founded on the principle of the most efficient utilisation of resources. Therefore it is equally important that regional development efforts should not be aimed at artificial development, but concentrate on cost efficiency” (2001:7).

He goes on to say that development strategies must be guided by those resources that are available in each region. Some regions, he argues, “have a very good potential for industrial development, while others have to aim for development in the agricultural, forestry, tourism, services and small business sectors. It is, however, important that those areas with the best natural growth potential should receive more support than those with lesser potential” (2001:7).



It follows that, administratively, cities and the incumbent city managers need to take cognisance of the push and pull factors affecting their cities. When one considers the planning ethos followed in most developing and developed countries, one is introduced to the term and philosophy of development planning.

According to Harrison (2001:181), the idea of development planning took root in the mid- to late 1970s. He argues that in the 1990s there was more of an emphasis placed on integrated development planning.

Differing vocabulary is used to define and conceptualise development planning. According to Muller (2003), development planning means “a strategic and participatory process to integrate economic, spatial, social, infrastructural, housing, institutional, fiscal, land reform, transport, environmental, water and other strategies or sectoral plans with a view to the optimal allocation of scarce resources to the various sectors and geographical areas and to supporting the whole of the population in a manner which promotes sustainable growth and equity, with the emphasis on capacity building in poor and marginalised communities”.

The key legislative vehicle that has comparatively recently been introduced into the development/planning arena in South Africa is the Local Government Municipal Systems Act, 2000.

The act succinctly *defines* the term ‘development’ (Table 1 below) and when read in conjunction with the *preamble* contained in the Act then this extended definition of the meaning of the comparatively ‘new’ term *developmental local government* becomes quite clear.

“Whereas the Constitution of our non-racial democracy enjoins local government not just to seek to provide services to all our people, but to be fundamentally developmental in orientation. Whereas there is a need to set out the core principles, mechanisms and processes that give meaning to developmental local government ... whereas a fundamental aspect of the new local government system is the active engagement of communities in the affairs of municipalities of which

they are an integral part, and in particular planning service delivery and performance management". (Republic of South Africa, 2000: Introduction)

Table 1: Definition of development:

Development means sustainable development and includes integrated social, economic, environmental, spatial, infrastructural, institutional, organisational and human resources upliftment of a community aimed at -

- (a) improving the quality of life of its members with specific reference to the poor and other disadvantaged sections of the community; and
- (b) ensuring that development serves present and future generations.(2000:7)

Source: RSA- Local Government Municipal Systems Act, 2000

The origins of this approach are evidently rooted in the government's necessary self-examination alluded to by Harrison and clearly enunciated in the Act, which is integral to the government's planning philosophy.

The Urban Development Framework rightly argued in the lead-up to the formulation of this Act that "centres of vibrant urban governance, managed by democratic, efficient, sustainable and accountable metropolitan and local governments in close co-operation with civil society and geared towards innovative community-led development," are paramount to give effect to such desired urban reconstruction and development (RSA: UDF 1997:25).



## 2.3 ECONOMIC DEVELOPMENT

### 2.3.1 Urbanisation and Economic Growth

Urbanisation with the attendant urban development is a global phenomenon. However, very divergent views exist with regard to the causes of urbanisation and the means by which its impact on the immediate future of the affected area/town/city/metropolis can and should be defined.

Ted Trainer in his article entitled “Development, charity and poverty; the appropriate development perspective”, introduces the premise that “although the short history of development economics has produced many different theories, virtually all can be seen as taking for granted the same basic conception of *development as growth*. Economic growth has been assumed to either constitute development or to be the necessary and sufficient condition for it. In practice the basic development goal is essentially to increase the volume of economic turnover” (2001: 54).

In the author’s opinion, South Africa is no exception to this interpretation. This is evident through the Growth, Employment and Redistribution Strategy (GEAR) (1996:2) adopted by national government; which states that sustained growth on a higher plane requires a transformation towards a competitive outward-oriented economy.

According to GEAR, the strategy developed below should have attained a growth rate of 6 percent per annum and job creation of 400 000 per annum by the year 2000, concentrating capacity building on meeting the demands of international competitiveness. Several inter-related developments were called for:

- accelerated growth of non-gold exports;
- *a brisk expansion in private sector capital formation;*
- an acceleration in public sector investment;
- an improvement in the employment intensity of investment and output growth; and
- an increase in *infrastructural development* and service delivery making intensive use of labour-based techniques.

The government acknowledges that the expansion envisaged above is substantial and entails a major transformation in the *environment and behaviour of both the private and the public sectors* including:

- a competitive platform for a powerful expansion by the tradable goods sector;
- *a stable environment for confidence and a profitable surge in private investment;*
- a restructured public sector to increase the efficiency of both capital expenditure and service delivery;
- new sectoral and regional emphases in industrial and *infrastructural development;*
- greater labour market flexibility; and
- *enhanced human resource development.*” (1996: Introduction, my emphasis)

From a South African perspective, it is worth reiterating that “Apartheid spatial planning has left very deep scars on the spatial structure of our cities, towns and rural areas, and the lives of millions of individuals and households” (RSA: UDF 1997:25). This increases the complexity of the challenge we face, namely addressing the pressures of increasing infrastructure demands while ensuring sensible use of space and protection of the natural and built environment.



### **2.3.2 Urban Development in South Africa**

Section 4 of the Urban Development Framework outlines the national government's 'Urban Vision' (RSA: UDF 1997: v) and proposes the implementation of four key programmes;

- Integrating the city. This aims at negating apartheid-induced segregation, fragmentation and inequality. The focus is on integrated planning, rebuilding and upgrading the townships and informal settlements, planning for higher density land-use and developments, reforming the urban land and planning system, urban transportation and environmental management;
- Improving housing and infrastructure. This involves the upgrading and construction of housing, restoring and extending infrastructure, alleviating environmental health hazards, encouraging investment and increasing access to finance, social development, building habitable and safe communities, maintaining safety and security and designing habitable urban communities;
- Promoting urban economic development. This aims at enhancing the capacity of urban areas to build on local strengths to generate greater local economic activity, to achieve sustainability, to alleviate urban poverty, to increase access to informal economic opportunities and to maximise the direct employment opportunities and the multiplier effect from implementing development programmes;
- Creating institutions for delivery. This requires significant transformation and capacity building of government at all levels and clarity on the roles and responsibilities of the different government spheres. This will also encompass a range of institutions, including civil society and the private sector, and require significant co-operation and co-ordination among all of these.



However, the Urban Development Framework cautioned that in order to achieve a consistent urban development approach for effective urban reconstruction and development, it was essential that there should be a common vision of the future development of our urban areas. It argues that, “although the post-apartheid government has instituted a range of policies to integrate human settlements to enhance economic efficiency, facilitate the provision of affordable services and enable social development, *institutional practices and market forces are tending to reinforce spatial divisions rather than assisting and promoting urban integration*”. (RSA: UDF 1997:25, my emphasis)

According to Watson (2002:1), the period after 1994 saw a shift in “many facets of the planning process and the product ... to an approach to planning aimed at urban integration and redistribution, and thereafter to a view of planning as integral to ‘global’ positioning and entrepreneurial government”.

### **2.3.3 Local Economic Development**

According to Botchway *et al.* (2001:397), “Local government is the multi-tiered lower levels of government, including structures ranging from community to metropolitan level”. The primary frame of reference of this study is the Western Cape and more especially the Cape Town metropole; hence my discussion focuses on this area and the local government of the City of Cape Town.

The City of Cape Town, recently unified from seven individual administrations into one, subscribes unconditionally to the principle of Local Economic Development (LED). The line department currently responsible for this aspect is the Economic Development and Tourism directorate. This department, in line with the thinking that the Western Cape’s primary economic growth opportunity lies in the tourism sector, has firmly incorporated the commercial sector (especially tourism) into its local economic growth strategy. That is, the City of Cape Town recognises this aspect of business and potential growth as a *locational strength*.



In the White Paper on Sustainable Tourism (2002), the provincial government stated that the local economy had grown much faster than the rest of the country during the past 20 years and that Cape Town would achieve even higher real growth rates in excess of 4% per year over the next 10 years. It cites several reasons for this expectation, including the fact that tourism – both globally and in South Africa - was expected to grow faster than most other sectors and that in this sphere, as well as others, Cape Town had a strong competitive advantage.

## **2.4 SPATIAL AND ECONOMIC DEVELOPMENT**

### **2.4.1 Past Policies of Spatial Distribution**

J Ackron in 'Poverty: An economist's perspective', raises the issue of the spatial distribution of employment in relation to population distribution. "In a country as vast as South Africa the population of large (predominantly rural) areas find themselves far from (relatively few) loci of economic development. In order to access available opportunities it is necessary to travel large distances and frequently to subsist in new and unfamiliar environments for longer periods while work is sought" (2002:9).

While our spatial development patterns are not unique in their bias towards urban development rather than rural, one cannot discount the impact of the apartheid policies introduced from 1948 by the then Nationalist government. Under the policy of segregation the country's black (and predominantly rural) population was prohibited from land ownership, other than in areas designated as tribal trust lands or 'homelands', and was also excluded from mainstream education and economic opportunities.

This legacy of deliberate underdevelopment shows itself in most aspects of our economy when viewed from the perspective of the large percentage of the *majority* of our population, who are not able to sustain themselves, let alone contribute to the economic upliftment we subscribe to as a 'leading' developing nation.

### **2.4.2 Hierarchy of Spaces**

Pienaar (2001) refers to the theory based on the works of Walter Christaller; of the hierarchical relationship that exists between spaces within cities, cities to surrounding areas and cities to cities.

Christaller's central place theory defines a "large town, city, conurbation and or capital city as a central place. A central place is a settlement, which provides goods and services. It may vary in size... and forms a link in a hierarchy. The area around each settlement which comes under its economic, social, and political influence is referred to as its sphere of influence... the extent of influence will depend upon spacing, size and functions of the surrounding central places" (in Waugh: 1995:375).

Christaller, according to Waugh, identifies four functional hierarchies / phases of development that occur, the later two are relevant to this debate;

- "As a settlement increases in size, the range and number of its functions will increase"
- As a settlement increases in size, the number of higher order services will also increase – i.e. a greater degree of specialisation occurs in the services" (1995:375).

Bearing in mind then the growth that is being experienced, not only in South African cities, but also globally, one must approach the phenomenon of urbanisation from the perspective that places are interrelated and impact upon each other. That said, one must accept that in all probability any intervention in one space will most likely affect the surrounding space, if not the functioning of the surrounding central places.



### **2.4.3 Urban Regeneration**

The Western Cape Provincial Development Council (PDC) (2002) states that there in order to break the “vicious cycle of crime, unemployment, poverty, insecurity, poor housing and ill health” there was no alternative but to embrace a holistic urban transformation agenda and programme. However, the PDC suggests that local authorities and the private sector have failed to address the issue of urban development in a sustainable manner. The PDC suggests that the same authorities have merely introduced ‘tinkering’ strategies. It argues that the core focus of urban renewal initiatives should be concerned with the functioning of the urban system in its entirety.

The Western Cape Provincial Development Council advocates in its report “Integrated Development Planning and Urban Renewal in Cape Town” (2001: Executive Summary), that successful instances of urban renewal share some common features:

Development interventions are holistic and aimed at producing sustainable long-term solutions. They address social, economic and environmental problems wherein sectoral initiatives and projects contribute to and are co-ordinated with other activities to maximise benefits to the community. The similarity between this type of planning approach / orientation and the IDP is striking.

The PDC maintains that in Cape Town the opposite is occurring. It argues that there are few or no synergies between the implementation and project execution structure of the various initiatives. While attempts are currently underway to synergise and foster improved relationships, project co-ordinators tend to focus more on what constitutes the most appropriate institutional arrangement, thus missing the bigger picture about whose needs are paramount, i.e. those of citizens and communities, and the appropriate strategies for redress and development.

The PDC’s report does, however, acknowledge that “there were no quick fixes to this problem, but some of the key elements reside in thinking anew strategies for urban renewal based on the principles of equity; social inclusion and justice; mending the

social fabric; transforming the economic and social base of historically disadvantaged areas and linking them to a wider metropolitan economy; maximizing income earning and income generating” (WC: PDC 2001: Executive Summary).

#### **2.4.4 Business Areas**

Business nodes are the locales designated to house and ideally ensure economic growth. Our planning systems not only dictate their spatial location and extent, but also serve to ensure and regulate their relationship to the surrounding land use, transport systems and municipal infrastructure. In view of this, the need to engage the users/investors of such nodes becomes critical when attempting to rectify previous biases and promote sustainable growth and equitable development. Municipalities simply cannot afford to ignore or exclude this sector of their constituency.

Furthermore, commercial nodes by their very nature are required to be competitive. This is expressed along a continuum: from the need to locate where the ‘market’ is, through to the need to ensure ease of access and desirable environs.

Within cities there exists an intra-node competitiveness where, for example, an established industrial township competes for investment against a newly established node adjacent to the airport.

In addition, between cities there exists an inter-city commercial competitiveness. This can be especially significant should the government decide to invest substantially in one locale versus another.



### **2.4.3 Engaging Citizenry**

The urban vision of the Urban Development Framework discussed in Chapter 1 reiterates the fundamental thinking that to optimise any outcome, all spheres of our citizenry must work towards a common vision. "Centres of vibrant urban governance, managed by democratic, efficient, sustainable and accountable metropolitan and local governments in close co-operation with civil society and geared towards innovative community-led development" (RSA: UDF 1997:7).

There is a real need for the intensive involvement of the community in forging a vision for their own future, which not only secures the 'buy-in' of different stakeholders, but also creates the necessary public awareness to effect changes in individual and behaviour / institutional attitudes. Key to such an approach is a process of collective decision making rooted in joint planning, problem-solving and strategising involving all citizens where strategies and solutions are articulated and forged through deliberation and planning with other participants.

Additionally the private sector needs to be engaged as partners in 'development', based on genuine 'win-win' solutions rather than conventional commercial trade-offs. This would enable commercial interests to be carefully balanced with broader public interests and the needs of the poor, within a comprehensive and coherent framework for improved land-use and the provision of public goods and services.

## **2.5 CONCLUSION**

The chapter highlights the public sector's shift in thinking from blue-print, top down planning to inclusive, capacity-building, people-centric approaches, which fits logically with the role and intent of responsible planning, and is thus to be welcomed. However, in the absence of capacity (to move away from the inherited technical, regulatory, control-orientated approach) to implement the daunting requirements of consultation, social upliftment and community priorities, a practical means of implementation is needed.

In my opinion, the majority of municipalities sit in a middle-of-the-road situation. They have systems, some capacity and the realisation that further change can optimise their role and contribution. However, the aspirations contained within this policy shift require a conscious adoption of the tools to entrench the required change. These are required to equip the public administration to operate on a different level in order for it to succeed. It must be viewed as an ongoing process, requiring reiteration and motivation to change.

Thus the case study dissected in the following chapter is intended to illustrate such a tool. It outlines the methodology and approach that was adopted by the City of Cape Town in recognition that little or no upfront analysis was being undertaken prior to the commencement of grass root interventions aimed at halting the decline of specific commercial areas.

With that said, the reality in South Africa is that the cities have a scarcity of public resources which hinders the required immediate management on the ground. Nodes under duress require immediate intervention and assistance. Thus the approach advocated in the following chapters, culminating in the annexed research template, does not try to prevent or stay attempts to halt business flight but rather to act as a collective data base intended to avoid piecemeal inappropriate initiatives.



## **CHAPTER 3**

### **CASE STUDY: THE METHODOLOGY ADOPTED TO ESTABLISH A PROTOCOL TO ASCERTAIN AND MONITOR THE HEALTH OF BUSINESS NODES IN THE CAPE METROPOLE**

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#### **3.1 INTRODUCTION**

This chapter analyses the approach that was adopted when setting out the desired procedure and explains the relevance of the underlying principles: the promotion of economic development, the importance of decision makers and understanding what influences them; and the selection of areas for profiling.

The focus and objectives of the case study are also included against the backdrop of the legislative / enabling mechanisms available to the City of Cape Town.

The Western Cape Department of Economic Affairs, Agriculture and Tourism White Paper preparing the Western Cape for the knowledge economy of the 21st century proposed a vision and strategic framework for economic development based on four pillars (WC White paper 2000:7-8), I have quoted the following two pillars which in my opinion have a direct reference to the promotion of the commercial sector and by extension commercial nodes:

The Learning Cape. This envisages the Western Cape as the leading learning region in South Africa, one which successfully equips its people and businesses to acquire and apply knowledge effectively in a rapidly changing world.

The International Cape – the province as an outward looking region, linked effectively to the rest of South Africa, Africa and the world, capable of competing in the global knowledge economy and thus enhancing economic growth and development.

This being the provincial government's outlook, it stands to reason and is reassuring to note that the City of Cape Town, being the largest metropolitan area of the province, subscribes to a similar interpretation.

In keeping with the City of Cape Town's policy to endorse the principle of enhancing the competitiveness of its business nodes as a means of reducing poverty and supporting job creation (City of Cape Town: Report - Strategic Direction 2003-2005), the City commissioned research during 2002 with the objective of formulating a Business Area Improvement Policy Framework.

### **3.2 BACKGROUND**

The Business Area Improvement Policy Framework (City of Cape Town: 2004a) sets out the method and purpose of its policy framework as a framework that seeks to build on the successful initiatives that have been established throughout the metropole and promote the establishment of others. It records that the policy attempts to encapsulate the City Council's strategic objective of making the city attractive for investment, commerce and tourism. Additionally the goal of promoting economic growth and job creation in order to improve the quality of life for all its people.

The same advocates targeting the challenges of low municipal rates payment, the absence of community pride and identity, unsavoury trading environments and the associated business flight. It states that the intent of such efforts will result in a focus on the management of inevitable change and to retain or improve the quality, life, vitality and future viability of its business centres.

The 'how to' incorporated in this document supports the Council's position that "one of the keys to the improvement and revitalisation of such areas is the establishment of effective partnerships between local government, local business, local community and other relevant associated stakeholders" (City of Cape Town: 2004a: 10).

The legislative mechanism that was to support this policy framework was the then City by-law – The By-Law to Establish City Improvement Districts (2001) – which had



been legislated respectively in three of the seven administrative districts that previously comprised the area known as the Cape Metropolitan Area. Part of the research brief was to collaborate with the review and redrafting of the existing by-law. Table 2 below contains the preamble of the 'new' by-law, which clearly cites the City's intension.

Table 2: Preamble of the City of Cape Town City Improvement District By-Law.

## **CITY OF CAPE TOWN: CITY IMPROVEMENT DISTRICT BY-LAW**

### **PREAMBLE**

1. The City Improvement District model is based on international best practice. It is aimed at preventing the degeneration of cities and towns and the consequential urban decay, and facilitating their upliftment, economic growth and sustainable development.
2. The purposes of City Improvement Districts are to –
  - a) enhance and supplement the municipal services provided by the City of Cape Town ("the City");
  - b) facilitate investment in the City Improvement Districts;
  - c) facilitate a co-operative approach between the City and the private sector in the provision of municipal services;
  - d) halt the degeneration and facilitate the upliftment of distressed business and mixed-use areas; and
  - e) promote economic growth and sustainable development and in this way assist the Council in the fulfilment of its objects and developmental duties as set out in sections 152 and 153 of the Constitution.

**3. This By-Law accordingly seeks to –**

- a) establish a mechanism whereby property owners and tenants will be encouraged to participate in the processes of sustainable development;
- b) consolidate and give effect to the City's urban renewal imperatives while recognising the unique needs and challenges facing different commercial and mixed-use precincts;
- c) facilitate the recognition of defined geographic districts in order to enhance and supplement the provision of municipal services within them;
- d) clearly define the processes in terms of which City Improvement Districts must be established and ensure that property owners within the areas of the proposed City Improvement Districts are fully involved in these processes, thereby facilitating their participation in the affairs of the City; and
- e) consolidate in a single By-Law the By-Laws passed by the predecessors-in-law of the City of Cape Town and extend the ambit thereof throughout the City's area of jurisdiction.

Source; City of Cape Town: 2004:4

This chapter now sets out the methodology that was followed when drafting the framework and the resulting protocol.

### **3.3 OVERVIEW**

The methodology sought to support the objectives of the Business Area Improvement Policy Framework, i.e. the nodal goal improvement aim by setting out a hypothetical means to research the dynamics of a designated business node.

The approach followed the reasoning previously adopted by the City Council and integrated it with the available legislative mechanism.



### **3.4 FOCUS AND PURPOSE**

The focus and purpose advocated by the author was to establish a procedure in order to place the Cape Town City Council in a position where the relative economic health of specific business/mixed-use areas within the Cape Metropolitan Area could be properly assessed, selected interventions made where necessary and results monitored.

Turok and Watson (2001) reiterate the issue in the paper entitled “Divergent Development in South African Cities: Strategic Challenges facing Cape Town”:

South Africa's new Unicity authorities face a formidable list of competing priorities for attention. Accelerated economic development is vital to increase jobs and incomes in a more competitive international environment.

Substantial investment in social infrastructure and services is needed to meet basic needs and to reduce historic inequalities. Improved housing is required on a large scale to address dire living conditions and continuing urbanisation. Congestion and crises in the transport system demand urgent investment. Fragmented local administrations need rationalisation and more effective management systems. (2001: Introduction)

Hence the author argued that from the City's perspective it was essential that the City had a means by which it could monitor its nodes and be timeously alerted to the success or negative plight of an area. Thus it was envisaged that the protocol could and would necessarily inform and link, by means of the Business Area Improvement Policy Framework, with the high-level strategic planning and vision setting undertaken by the City, i.e. the City of Cape Town Integrated Development Plan.

The key issues and debates carried forward from the Business Area Improvement Policy Framework into the protocol methodology regarding existing practice were summarised and accepted as described below.



For the purposes of the above research, 'business' areas were defined as nodes predominantly incorporating properties zoned and used for commercial purposes. Such are unique as they 'house' and accommodate economic practices. Furthermore, business nodes have specific requirements and dynamics, which need to be understood and prioritised.

Accordingly, it is imperative that the City Council and the respective business community understand the issues - each business area is different, but the City Council's approach must be uniform, if possible. While it is acknowledged that successful initiatives are often based on promoting a step-by-step incremental partnership-building approach, they should, however, also take into account the need for any initiative to incorporate a holistic approach (i.e. package of activities).

Furthermore, although the City Improvement District (CIDs) model has been applied with considerable success, there is a need for viable alternatives to CIDs as the City Improvement District model is not appropriate for all business nodes.

### **3.5 ADVOCATED UNDERLYING PRINCIPLES**

When analysing the necessity to establish a practical/grassroots mechanism to monitor the progress or retardation of a node, three underlying principles were noted.

Firstly, the extent of Cape Town's segregated nature needed to be taken into account. In terms of the Metropolitan Spatial Development Framework (1996), for example, certain areas in the metropole deserve special attention in order to promote their incorporation, sustainability and to assist with halting signs of economic deterioration, and it is these areas that should be studied as a priority.

Secondly, implementing a methodology that *gauged the view of the business sector* was a return to basics, albeit that the intended protocol set out to formalise the 'rules of engagement'. Prior to the promotion of participative local government and overtly advocated community-led development (Municipal Systems Act), it was commonly understood that those who work in an area ultimately determine its fate, and as such their views need to be heeded.



The author advocated that this principle is specifically not just about heeding the exclusive demands of business, but appreciating the complex mix that makes up business decisions, which are often informed by the general public.

Thirdly, having gathered area-specific data, such information needed to be harnessed to enhance the comparative strengths or highlight the weaknesses of an area in order to inform the City Council and the decision-makers of possible interventions. From this position, then, in establishing and monitoring the economic/business health of an area and more specifically, the kind of intervention that may or may not be required for any given area, the fundamental premise was that the views of those who work in and use the area are paramount.

### **3.5.1 Promoting Economic Development**

In keeping with the recognition that urban areas are subject to cycles of excellence and adversity, the City has acknowledged the importance of supporting its business areas (City of Cape Town: Report - Strategic Direction 2003-2005) According to the author, business areas are the traditional pivot and access point of commerce and industry, and by extension provide the primary indicators of economic health, growth and development.

As a point of departure, it was accepted that, in times of excellence, these areas should be supported and nurtured, and in times of adversity efforts should focus on converting the challenges into opportunities.

Thus, as Turok (2000:12) points out, "Property development is a sizable component of total investment in the (Cape Town) economy and a crucial indicator of urban change since it pinpoints locations where physical capital, employment and a range of other resources and opportunities are increasing." The primary indicators that support this case study include: extent of commercial space, vacancy levels, number of building plan approvals, to list a few. A model template (see Appendix) extensively lists the indicators.



### **3.5.2 Area Selection**

It was acknowledged that any motivation to designate a node as a 'profile' area for the purpose of ascertaining and monitoring its business health, the motivation and resulting study should be *initiated* on the basis of an agreed statement between the City and the recipient business community. This would form the basis of a memorandum of understanding / social compact by which the means and objectives related to the area are recorded.

At the very least, this would be intended not only to provide a clear directive on a step-by-step basis to address relevant issues, but would seek to specifically evaluate such key aspects as the retention of existing employment and the creation of new employment opportunities. Aspects such as the improvement and/or broadening the municipal rates tax base and the improvement of the facilities and structures within the target area could additionally be assessed.

These aspects are in keeping with the City's stated ten-point strategy for local government (City of Cape Town: Report - Strategic Direction 2003-2005).

Furthermore, in recognition of the limited resources available to the City Council to conduct such investigations, it was recommended that these target areas be evaluated and prioritised on the basis of, firstly, their established economic impact in respect of economic turnover and number of jobs inherent in the area; secondly; their potential to improve their contribution still further; and lastly, their importance in respect of nodal development, as articulated in several planning and other documents of the City Council.

In this selection process one must bear in mind the spatial imbalances outlined in Chapter 1 and perhaps be necessarily unapologetic about the consideration of previous neglected areas with the metropole.

### **3.5.3 Identifying the Decision Makers**

Having adopted the founding premise - the goal of a prosperous Cape Town includes the objective of "actively building city partnerships, teams and connections required to compete in the global market and contribute to the local, regional and national



economies and to this end partner with other role players” (City of Cape Town: Report - Strategic Direction 2003-2005) – the understanding of the view of ‘business’ was broadened.

It was the author’s view that the perception and understanding of those who commute to, shop in, visit for commercial reasons and sometimes live in the particular area can and will ultimately determine its fate. Thus the assumption was incorporated that the concept of ‘business’ was far wider than the word commonly implied to determine the primary decision-maker(s) with respect to the location of investment.

The common assumption that, within the conglomeration of the users of an area, the decision-making process is hierarchical was noted. It was accepted that the view of commercial decision makers at the highest level was of primary importance, given that they will ultimately make the decision on whether to remain in, invest in or disinvest from an area.

However, in respect of such decision-makers, it was accepted that their views can be and are often informed by those who work for them directly. These decision-makers are understood to be the office and commercial workers, who are perhaps more affected (than their senior counterparts) by the urban environment and the management of issues pertaining to the urban health of the area. In other words, they are members of the general public (albeit in the commercial sector) who to one extent or another contribute to the general economic health of any given area of the Cape Town metropole.

#### **3.5.4 Understanding the Decision-Making Influences**

It was accepted that the decision-making process of ‘capital’ is influenced, on the one hand, by the *factual* situation and, on the other, by how the investors *perceive* the situation. For example, although an area may in fact be safe, its economic health can be undermined by a perception that it is unsafe. Thus practical delivery can be undermined by opinions.

The accepted point of departure was that the decisions of a *factual* nature are normally predicated upon three factors: cost, comfort and market.

Cost – this relates to the total cost of doing business, from municipal property rates and premise rentals to the cost of security or cleansing or commuting costs for themselves or their employees.

Comfort – this relates to the urban environment and the extent to which the place is conducive to creating a happy working environment. In these two factors Cape Town is no different to any other city in the world. While in the past, cost may have been the primary determining factor, it is increasingly the quality of life, determined by the environment, that is influencing decisions to a large extent.

Market – this relates to the location of commerce; for those dealing in consumer goods or services, they will locate where their market is. This explains that once commercial (office) space declines, there is often a simultaneous decline in retail (shop) space.

The counter-point of departure incorporated into the approach was that *perceptions* also affect decision making and, in turn, can be affected by a wide range of issues, developments and other activities, which bear no relation to the successful functioning of an area.

In the light of this, the author argued that the gauging of public perceptions was paramount in understanding the dynamics of an area and that the best method of gauging public perceptions was to conduct customer perception audits in the affected areas, with the proviso that they were done consistently, objectively and used accepted methodology and sampling norms.



### 3.6 CASE STUDY OBJECTIVES AND DATA ANALYSIS

The main objective was that the *accumulated data*, including the results of the advocated perception audits, *be used constructively by both City Council and the recipient community in order to address concerns either of a factual or perceptual nature*. At the same time, positive applications were to be analysed and, where possible, be used for replication.

The accumulation of such a valuable understanding of community opinion was accepted as a necessary and required investment by the City Council.

The second objective then stemmed from the acknowledgment that the research process should not end there. It was envisaged that the protocol would be incorporated to ensure that it formed the basis for the City Council's proactive policy aimed at improving business areas, namely the Business Area Improvement Policy Framework.

Following on from the participative approach discussed in Chapter Two – that is, a process of collective decision making rooted in joint planning, problem-solving and strategising – the stated policy framework describes the City's intent to entrench and optimise mechanisms whereby communities would be encouraged to, and could, participate in the process of sustainable economic development in business areas (City of Cape Town 2004a). The consolidation of the City Council's business area development imperatives, while recognising the unique needs and challenges facing the different commercial precincts, provided the overall strategic focus/context for the policy framework.

Furthermore, the policy framework balanced this focus with facilitating the selection of the optimum approach to give effect to business area rejuvenation by providing guidance regarding the different, alternative vehicles available.

The aforementioned policy framework was in turn supported, if not underpinned, by the City of Cape Town City Improvement District By-Law (2004).



The preamble of the By-law to Establish City Improvement Districts (refer to Table 2 above) is necessarily unambiguous in its intent to support urban renewal.

### **3.7 CHAPTER SUMMARY**

This chapter, set out in the form of a 'case analysis', describes the means to marry theory with practice. The case study acknowledged the dynamics highlighted in the previous chapters, i.e. the contribution of commerce to the success or failure of a node and by extension a town/city. The pressures facing business areas brought about by rapid urbanisation / urban development and the challenges related to successfully marshalling municipalities and affected stakeholders to intervene.

In conclusion, if the City management is seeking endorsement of the validity of its concerns regarding the neglect of some of its traditional commercial centre, it may take heed of Turok's (2000:26) succinct view that, in the absence of a decision-making framework to guide the spatial development of Cape Town, "Market forces and institutional processes encourage a virtuous circle of investment and development in well off areas, so growth feeds itself.... However, the main costs are borne elsewhere as the city's spatial imbalances and inequities are entrenched and opportunities to start reorienting development trends are passed by. Consistent public policies and plans could ... arguably improve the outcome."

One can deduce that the City of Cape Town - in this specific instance - is adopting a real approach to understanding the dynamics facing commercial nodes. The approach is characterised by a logical incremental process with a clear replicable outcome – practical measures to indicate economic growth or decline.

In the next chapter the theoretical underpinnings and advocated practice are incorporated into a model for practitioners who wish to measure the health of business nodes. As stated earlier a research template has been annexed to this work to support and simply illustrate the suggested data gathering process.



## CHAPTER 4

### ADVOCATED MODEL TO ASCERTAIN AND MONITOR THE HEALTH OF BUSINESS NODES

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#### 4.1 CHAPTER OUTLINE

From the perspective of the challenge of urban management the author has sought to extract the value of the prior research concluded on behalf of the City of Cape Town and explore its possible application in a wider context.

The author is of the view that the model outlined in this chapter and in the Annexure can be used to establish verifiable, meaningfully interpretable data for the object of establishing the economic health of any defined business node. Such data would then form the basis (especially in a South African context) to allow the respective city managements to recognise that urban areas are subject to cycles of excellence and adversity. If business areas are accepted as the traditional pivot and access point of commerce and industry and by extension provide the primary indicators of economic health, growth and development, then these areas should be supported and nurtured in times of excellence and in times of adversity, and efforts should focus on converting the challenges into opportunity.

#### 4.2 INTRODUCTION

The model is intended as a practical guide, which sets out the advocated way to research the dynamics of a designated business node. That is, firstly, to *understand the issues*; secondly, to gather data in a *replicable fashion*; thirdly, to *identify objectives*; and last but by no means least, *engage with the relevant stakeholders*.

The aspects that are addressed in this chapter promoting: a process driven approach, use of quantitative and qualitative data, performance management systems and project planning are intended to inform the practitioner of the necessity and advantages of this approach.



### 4.3 PROCESS DRIVEN APPROACH

When researching the dynamics of a designated business node, the ultimate result that should be sought is the outline of a *process* whereby the information accumulated indicates:

- The current status / profile of the defined area/node;
- The contextual information, e.g. what activities and service levels the municipality currently provides and can continue to commit to;
- A statement of intervention, e.g. what activities / services are required or desired and how to maintain service levels and achieve the provision of additional services;
- A means of systematic evaluation of interventions, successful processes and activities that can be reproduced elsewhere.

The requisite measurement of the performance of the node would then indicate whether or not, or to what extent, an intervention had been successful. As previously stated the purpose of this exercise at this stage is not to rationalise or ratify any model or vehicle that may be used to launch an initiative. To the contrary, the purpose is to determine prior to establishing the possible mechanism – what are the issues and the nature of the dynamic experienced in the designated area.

The first step in the process-driven approach would be to compile and record a 'broad brush' profile of the selected designated/target area. This profile could and should then be contextualised within the area's broader economic development framework.

In recognition of the limited resources available to public bodies to conduct such investigations, it is recommended that target areas be prioritised on the basis of:

- Their established economic impact in respect of economic turnover and number of jobs inherent in the area;
- Their potential to improve their contribution still further;
- Their importance in respect of nodal development, as articulated in planning guidelines and other documents of the Municipality.



In respect of determining the priority of the target area and subsequent 'health' evaluation, it is advocated that a weighting method should be used. The reason for this is substantiated by the argument that, while some economic measurables of a given area are important, others may be less critical but should also be considered in the evaluation process. Additionally, some criteria may not be applicable in all areas, but need to be considered in some. An example of such a criterion would be, for example, the staging of major sporting events, which while significant to the host locale, may have no impact on outlying industrial nodes, which do not 'hold' events.

#### **4.4 USE OF ACCUMULATED DATA**

The founding premise advocated by this approach is that research investigations *conducted in advance of the implementation* of an intervention / initiative would have the following advantages of providing a means for:

- assessing the current the profile and context of the area;
- assessing current service levels to the area;
- assessing the economic impact or performance of an area;
- establishing how property owners / investors perceive their needs and then the performance of the initiative once implemented;
- understanding how to maintain positive performance;
- understanding how successful dynamics can be reproduced elsewhere.

Furthermore, the data should also eventually help indicate (up front) to both the Municipality and to the affected community the extent to which a particular model is the appropriate mechanism required to achieve the objectives of enhancement.

For example, in a South African context numerous mechanisms have been formulated, the latest public sector model being a Municipal Service Partnership (RSA - White Paper on Municipal Service Partnerships 2000). Such may end up being a better option to facilitate economic development than a Development Agency approach or a Public-Private Sector Partnership approach as the preferred enhancement vehicle for the particular area. As the point of departure, however, it is reiterated that the model chosen for rejuvenation cannot be nor should it be determined until a set of data becomes available.



In other words, the investigation process in its entirety is designed to establish key issues / dynamics and key concerns. These then inform the Municipality / city management, communities, property owners and tenants as to what the facts are, what the perceptions are and what the intervention, if any, should be, or why in fact a particular initiative has worked.

It is important to unpack the primary types of data and clarify the circumstances of the use of the information.

#### **4.4.1 Quantitative Data**

From a quantitative point of view, there are several variables that can and should be used to provide the kind of information that can indicate economic health. However, some variables will be affected by external factors outside the control of the city management and or the community.

For example, in the case of business, unchecked new decentralised development can have a devastating effect on vacancy levels in established nodes. This is clearly outside the community's immediate area of influence and can significantly undermine the entire process. However, once the context and current area profile have been established, the micro-economic indicators of an area can nonetheless be a useful tool, when viewed with perceptions of the area, to give as full a view as possible.

The first quantitative exercise would be to establish the current levels of service provided by the Municipality in the area concerned. There are two main reasons for this: firstly, it establishes the level of service in the target area which may either support or contra-indicate the correct mechanism, and secondly, it establishes service types and levels up front which can form the basis of the required Service Level Agreement into which the public body / city management enters once any form of vehicle is formed.

The second set of quantitative data that should be gathered involves establishing the economic performance and impact of the area concerned, the criteria for which may well differ from area to area.



In most cases it is anticipated that the local authorities' own information and research facilities would suffice. However, depending on the percentage of information which is available, additional sources may need to be utilised. Formal agreements would need to be reached between the respective participating parties. This is especially relevant if the information or requisite research data are to be compiled by an external party either on behalf of the Municipality and or community concerned.

#### **4.4.2 Qualitative Data**

From a qualitative point of view, it is suggested that a standard user perception audit be conducted to assess indications of service levels from a *user perspective*.

If and once an initiative / intervention programme has been implemented, an annual repeat of such a survey would ideally measure how perceptions may or may not have changed following an intervention and or enhancement of services and or service levels.

### **4.5 PERFORMANCE MANAGEMENT SYSTEMS AND REVIEW OF DATA**

#### **4.5.1 Introduction**

To give full effect to compiling an economic performance database and to allow comparative trend analysis, any research should be repeated annually and reported back to the respective constituency / property owners/ tenants and the Municipality.

#### **4.5.2 Legislated Performance Management and Data Review Process**

From a South African perspective Section 38 of the Municipal Systems Act, 2000, sets out the expectation of / envisaged responsibility placed upon local government, and in terms of this the aspects set out below (as a minimum) are recommended as good governance procedures with regard to the established entity and the responding Municipality / city management.

### **4.5.3 Contractual Performance**

If and once an initiative / intervention programme has been implemented given that the management body of the entity/vehicle usually subscribes to an approved business plan and the Municipality / city management usually undertakes to sign a service level agreement (SLA), the entity<sup>1</sup> and Municipality / city management should be regarded as reciprocally responsible for monitoring service levels as part of their management agreement.

Thus, after a year the initiative/programme manager should submit progress reports and be in a position to report on any material deviation, including the extent of the services / activities / projects provided by both parties.

This will provide the Municipality / city management with relevant feedback on the Municipality / city management's capacity to deliver within the terms of the SLA and the initiative/programmes's performance with respect to its business plan.

### **4.5.4 Economic Data Collection And Review**

These data should be used to provide the Municipality / city management and the entity with short-term indicators (current commercial vacancy levels, for example) and an indication of how successful any intervention has or has not been in delivering, depending on the area concerned.

The results of this, while annually reported, should ideally not be judged until a three-year cycle has been completed. This is particularly the case with respect to vacancies, take-up of available rental space and capitalisation rates on property, given that commercial revitalisation is normally at its most effective after such a three-year cycle has been completed (Rode 2000).

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<sup>1</sup> The term 'entity' is used interchangeably with the term 'initiative'.



#### **4.5.5 Perception Auditing**

As outlined in the preceding chapter, perceptions can be affected by a wide range of issues, developments and other activities, which bear no relation to the successful operation of an initiative. However, perceptions of the major services (provided either by the Municipality or a contracted entity) are a good indication of how the property owners / tenants and users of the area perceive any intervention to be successful and as such, support the ongoing operation of the initiative beyond the three/five-year budgeting cycle advocated by the City Improvement District by-law and the Municipal Systems Act respectively.

#### **4.5.6 Financial Auditing**

In terms of the South African Companies Act, the compilation of audited financial accounts is a standard requirement for any private entity. The Public Management Finance Act, 2004 governs any public entity. From both legislative perspectives and especially given the vested interest of the Municipality / city management, good business practice suggests that the Municipality / city management should review the financial reports on an annual basis.

#### **4.5.7 Composite Business Health Evaluation**

At the conclusion of year three or five a composite report, which incorporates the agreed indicators, criteria, attached weightings, if applicable, and the evaluation of the area concerned, together with any commensurate recommendations, should be prepared.

### **4.6 RECOMMENDED PROCESS**

The anticipated dynamic nature of the research process has been illustrated by means of the following flowchart (Figure 4), which illustrates the advocated process flow approach:

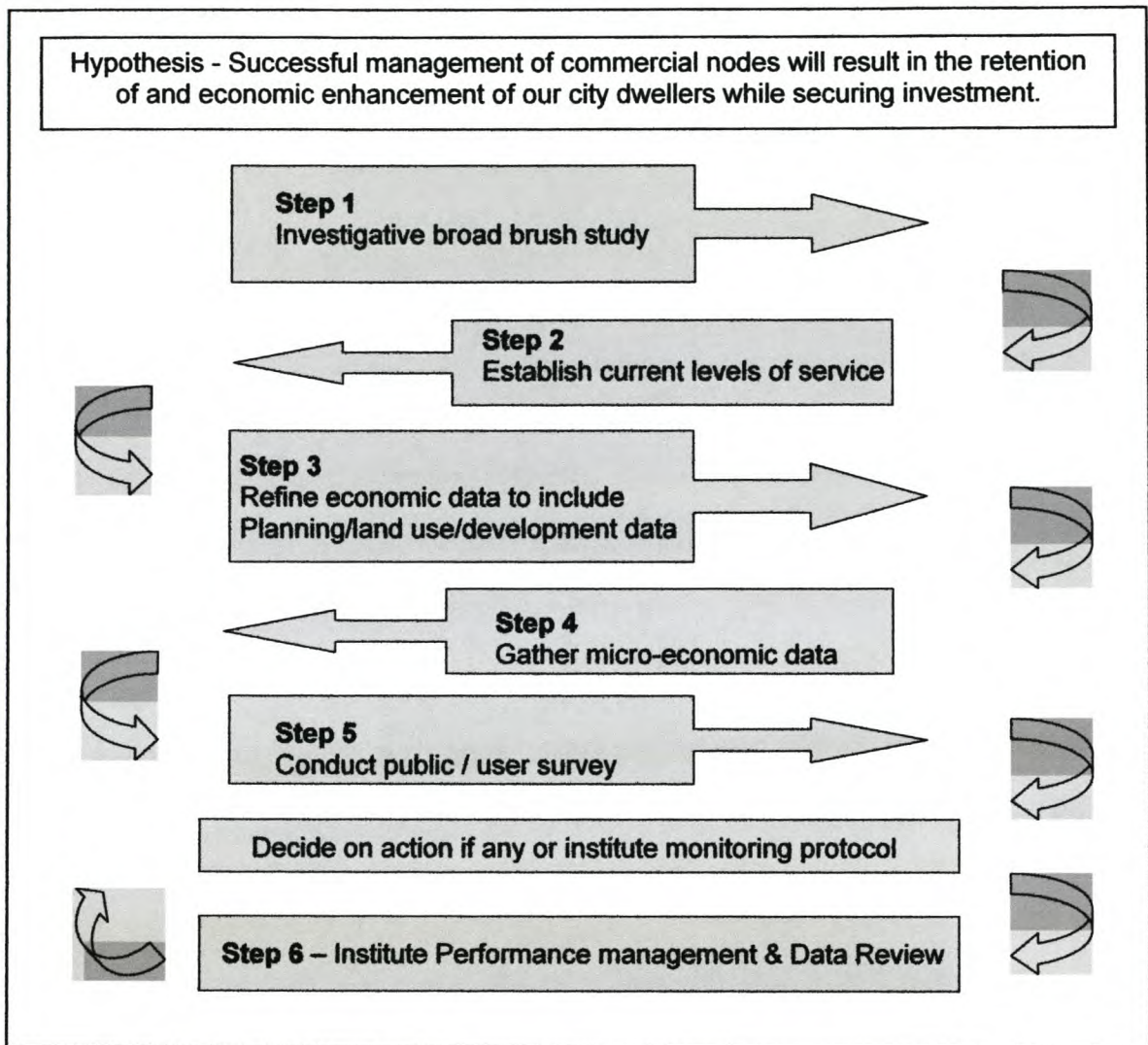


Figure 4: Process flow to establish and monitor health of a business node.

The White Paper on Local Government (1998: Executive Summary) specifically refers to the concept of developmental local government as previously discussed in Chapter Two. The paper envisages the following four “interacted characteristics” -

- Maximising social development and economic growth;
- Integrating and coordinating;
- Democratising development;
- Heading and leading.



The advocated process, which should be conducted in a logical order, evidently supports this objective, namely:

1. Step One – Compile the initial broad profile and contextual information;
2. Step Two - Establish the current levels of municipal service in the area or as at 1 July of the respective year (1 July being the start of the reporting year for municipalities in South Africa);
3. Step Three - Establish the additional definitive data on land use, transport, spatial initiatives and key economic development projects planned or under way. Key events or infrastructure that has an impact on the area should be included;
4. Step Four – Gather the micro-economic data, which may include vacancy rates, investment levels, job levels and other agreed indicators;
5. Step Five – Conduct a perception audit, which gauges the views of the inhabitants within, users of and or businesses within the defined area, whichever the case is relevant;
6. Step Six – Establish an annual performance review, incorporating annual perception surveys to monitor performance;
7. Step Seven – Conduct five-yearly Business Node Economic Health Evaluations – which should include a composite report incorporating the indicators and the evaluation thereof in terms of the previously established and agreed criteria and recommendations. (Five-year cycles are recommended to allow incorporation into the IDP planning cycles advocated by the Municipal Systems Act, 2000.)

## 4.7 PROJECT PLANNING AND TIMESCALES

From a project planning and time management perspective the following process is recommended, with the proviso that the process is not cast in stone and should ideally be fluid and incorporate feedback and the opportunity for assessment throughout. Table 3 below sets out the recommended process flow to be followed.

| REPORT           | QUESTIONNAIRE  | DETAIL   | TIME SCALE                                  |
|------------------|--|--|---|
| <b>PROFILE 1</b> | A broad brush look at the area defined, for context  |  | One-off (to be incorporated into Profile 2) |
|                  | Questionnaire One  | Service questionnaire and service level record - Current levels of municipal service in the area, which can be matched against services required and then perceptions as any initiative comes into being.  | Annually                                    |
| <b>PROFILE 2</b> | More definitive data on land use, transport, spatial initiatives and key development projects planned or under way, key events or infrastructure that affect the area. |  | Annually                                    |
|                  | Questionnaire Two  | Economic questionnaire and economic data record – Gathering micro-economic data, which includes vacancy rates, investment levels, job levels and other indicators. After this process is complete, a decision can be made whether a public or user survey is necessary for the area. | Annually                                    |



|                            |   |   |                                   |
|----------------------------|---|---|-----------------------------------|
| <b>OPTION IN PROFILE 2</b> | Questionnaire Three   | Perception questionnaire - A perceptions audit, which gauges the views of the inhabitants within, users of or businesses within the defined target area, whichever is relevant, both before and after an initiative is implemented. | Annually, always at the same time |
| <b>EVALUATION REPORT</b>   | Business Area Health Evaluation – A composite report incorporating the indicators and the evaluation thereof in terms of the agreed criteria. |   | Updated annually                  |

Table 3: Recommended process flow

#### 4.8 CHAPTER SUMMARY

This chapter explored the possible application of the research compiled by the City of Cape Town in a wider context. From the perspective of the challenge of urban management the chapter outlined a model that can be used to establish verifiable, meaningfully interpreted data for the object of establishing the economic health of any defined business node.

## CHAPTER 5

### SUMMARY AND CONCLUSIONS

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#### 5.1 SUMMARY OF STUDY

The introductory chapter introduces the first research question, i.e. what is the relevance and purpose of business nodes to the performance of a city? The question is posed within the context of acknowledging rapid urbanisation and increasing urban development.

Commerce/business is located in designated nodes, by means of our planning and legislative systems. By deduction, then, our *business areas* must be acknowledged for the service they provide to the surrounding community by housing commerce and by extension business opportunities.

The author adopts as a hypothesis that cities cannot optimally function without sufficient infrastructure and healthy commerce, hence the successful management of commercial nodes will most likely result in the retention and economic enhancement of city dwellers while securing investment.

The author goes on to argue that not only should commercial nodes be recognised for their economic contribution, but also be actively researched in order to understand their economic status/health. The results of such investigations indicate a course of interventions that, if logically carried out, will result in the optimum management of the area to the benefit of the node's investors/users and municipality.

Chapter Two takes the premise one step further by outlining the history of our planning systems and highlights that, in the face of inequitable policies, we need to acknowledge that commercial nodes by their very nature are required to be competitive. In view of this it is argued that there is a requisite need to engage the users/investors of such nodes when attempting to rectify previous biases and promote sustainable growth and equitable development.



Chapter Three analyses the approach that was designed to aid the necessary measurement of the economic health of the City of Cape Town's business areas. This approach incorporated such principles as the promotion of economic development, the importance of decision-makers and understanding what influences decision-makers in relation to specific commercial nodes.

The case study acknowledged the dynamics highlighted in the previous chapters, i.e. the contribution of commerce to the success or failure of a node and by extension a town/city. The pressures facing business areas brought about by rapid urbanisation / urban development and the challenges related to marshalling the requisite intervention by municipalities and or affected stakeholders.

Chapter Four explored the possible application of the aforementioned work in a wider context. From the perspective of the challenge of urban management the chapter outlined a model that can be used to establish verifiable, meaningfully interpretable data with the object of establishing the economic health of any defined business node. Such data could then form the basis to allow the respective city management/municipality to gauge the area's status, recognise and, through partnerships, act on the reality that urban areas are subject to cycles of excellence and adversity.

The application of the process is further illustrated by the inclusion of a 'Model Research Template' as an annexure.

## **5.2 CONCLUSIONS**

### **5.2.1 The relevance of business nodes**

Municipalities cannot afford to ignore the future of business nodes; therefore the City of Cape Town's effort to entrench its goal of 'business area improvement' by setting out a hypothetical means to research the dynamics of designated business areas is commendable.



Our business nodes must, at the very least, be acknowledged for the service they provide to the surrounding community by housing commerce and by extension business opportunities. Reciprocally, the users of any area are of paramount importance and it is critical that their views, support and ongoing participation be secured in order to optimise the success of any requisite intervention/initiative.

Meaningfully engaging business communities is not just about heeding the exclusive demands of business, but appreciating the complex mix that makes up business decisions, which are often informed by the general public's requirements.

Systematic data collection is critical to any attempt to compile an objective, replicable profile of an area. Having gathered area-specific data, that information must be harnessed to enhance the comparative strengths or highlight the weaknesses of an area in order to inform the municipality, the decision makers and the users of possible interventions.

### **5.2.2 Understanding economics versus planning**

Sykes and Roberts (2000), in discussing the evolution, definition and purpose of urban regeneration in the handbook *Urban Regeneration*, state that in their opinion, "urban areas are complex and dynamic systems". Such systems "reflect the many processes that drive physical, social, environmental and economic transition and they themselves are prime generators of many such changes. No city is immune from either the external forces that dictate the need to adapt, or the pressures that are present within urban areas and which can precipitate growth or decline" (2000: 9)

This supports the point that, if business areas are accepted as the traditional pivot and access point of commerce and industry – and by extension provide the primary indicators of economic health, growth and development – then these areas should be supported and nurtured in times of excellence and in times of adversity, and efforts should focus on converting the challenges into opportunities.



Most importantly, we must consider urban regeneration as a continuous process, not only of engagement, but also on the understanding that no sooner is one problem solved than another is likely to emerge.

Watson observes that South Africa has shifted from its apartheid past to an “approach to planning aimed at urban integration and redistribution and thereafter to a view of planning as integral to global positioning and entrepreneurial government” (2002:1) She goes on, however, to express her concern regarding the future of spatial planning as a discipline and its somewhat ad hoc application in the emerging South Africa. While her concerns are well justified, perhaps some comfort can be sought through this study, which seeks to contribute towards addressing the complex demands of the ‘urban development – development planning’ dichotomy by developing a simple practical means to grasp the nature of the problem and intervene at the coal face.

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## MODEL RESEARCH TEMPLATE



## INTRODUCTION

The advocated research process flow contained the steps outlined below supports the *process* approach whereby the accumulated information indicates:

1. The current status / profile of the area;
2. The contextual information, e.g. what activities and service levels the municipality currently provides and can commit to;
3. A statement of intervention, e.g. what activities / services are required or desired and how to maintain service levels and achieve the provision of additional services;
4. Systematic evaluation of interventions, successful processes and activities that can be reproduced elsewhere.

## **- STEP ONE –**

### **DEVELOPING A BROAD PROFILE AND CONTEXT STATEMENT FOR ANY INTERVENTION**

This is the first step that is required and is the core of future planning. No other investigative or process should commence without this first having been completed.

This initial process is entirely investigative and can be initiated by either the municipality or the community concerned, but preferably the former.

The aim ultimately is to aid forward planning in order to establish a context for each defined area within the metropole before any intervention is suggested or approach made by communities or ratepayers.

This then would put both the municipality and the respective communities in a much better position to ascertain what the economic base of the area currently is, what its problems are and therefore what kind of intervention would be required.

As previously stated, this assessment need not just relate to negative trends or indications of economic distress. There is substantial reason to record and entrench aspects from nodes that are seemingly “getting it right”.

Besides strict economic data, this investigative approach should include other information that can and must form part of the overall decision-making process. These criteria include:

- Analysis of the nature of the business area, (whether predominantly retail, commercial, industrial, distressed, successful and so on);
- Land use and strategic /spatial considerations envisaged for the area;
- Micro-economic trends;
- A detailed geographic definition of the designated area. This is particularly useful when designing interventions not only from a municipal service point of view but because municipal boundaries, judicial and commercial boundaries are not necessarily the same. Moreover, areas frequently can have differential precincts within each sub-area, and these need to be identified, defined and described.

The profiling process that can be adopted is illustrated in the following example:



**MONITORING BUSINESS AREA (ECONOMIC) HEALTH –  
INITIAL PROFILE (PROFILE ONE)**

Profile Date –

Compiled By –

**PART A - Area Identification**

1. Location

2. Proposed Area Boundaries

3. General Plan or extract thereof

4. Available GIS Data

5. Municipal Sub-Council

6. Principal Contact Person / Entity

7. Other relevant data

**PART B - Area Description**

|  |  |
|--|--|
| 8. General Location                      |  |
| 9. Overview of Main Land Uses and Zoning |  |
| 10. Broad Socio-Economic Conditions      |  |
| 11. Physical Conditions in the Area      |  |
| 12. Main Infrastructure                  |  |
| 13. Developmental Trends / Projects      |  |



## **- STEP TWO -**

### **A STANDARDISED MEANS FOR ASCERTAINING AND MONITORING ACTIVITIES/SERVICE LEVELS**

#### **Underlying Assumptions Pertaining to Service Delivery**

Understandably, property owners, ratepayers and businesses expect to receive some degree of municipal service in response to paying their municipal taxes. Analysis indicates that in areas experiencing distress, the scrutiny of such payments and expectations of the Municipality i.e. resulting service provision, degree of intervention, 'value' of property, are higher than in areas regarded as 'well' or optimally serviced.

While most cities in South Africa grapple with the challenge of providing equitable distribution of services to all their inhabitants, it is acknowledged that distressed and targeted areas require a mechanism to enhance service provision.

Business areas are the traditional pivot and access point of commerce and industry and by extension provide the primary indicators of economic health, growth and development. In times of excellence, these areas should be supported and nurtured and in times of adversity, efforts should focus on converting the challenges into opportunities.

It is accepted that the municipality's role may differ in level and extent due to the nature and maturity of the target node.

By managing the investigative process, the municipality will be able to channel its primary contribution towards any community initiative or partnership in the form of undertaking or funding up-front investigations, profile compositions or surveys, where appropriate.

In an attempt to meet this intent, the Business Improvement District model (being predominantly adopted as the property owners preferred vehicle) has been adapted to accommodate this emphasis on a proper appreciation for the area under review.

The concept allows for ratepayers themselves to organize top-up services in their own areas which they themselves pay for and manage, in partnership with the municipality and, accordingly, it is essential that the information base utilised is as accurate and relevant as possible.

### **Measuring Service Levels**

The first exercise is to establish the current levels of service in the area concerned.

There are two main reasons for this:

- It establishes the level of service in the area which may either support or contra-indicate as the correct mechanism:
- It establishes services up-front that can form the basis of the possible Service Level Agreement into which the municipality enters once a community entity is formed.

Questionnaire One (below) has been incorporated to help ascertain and record the current and future use / services proposed in the target area and include a fairly comprehensive set of services.

A combination of the current municipal services provided to an area, and the proposed services should form the basis of a Service Level Agreement.



### **- STEP THREE -**

## **REFINING THE ECONOMIC PROFILE AND CONTEXT STATEMENT FOR THE INTERVENTION**

### **Compiling a SWOT Analysis/Action Plan**

Having considered the service provision capability and resource planning applicable to the target area, the opportunity now presents itself to develop a comprehensive SWOT analysis for the area including the establishment of more definitive data on:

- Land use – Trends, required or proposed amendments to town planning legislation;
- Transportation – Access and egress including the existing and proposed provision of public and commercial transport;
- Spatial planning – Consideration and incorporation of any restrictions or initiatives;
- Key development – Consideration and incorporation of any impact relating to projects planned or under way;
- Events or infrastructure – Consideration and incorporation of any impact relating to events or infrastructure provision planned or under way;
- Successful dynamics.

The SWOT analysis should seek to highlight the strengths, weaknesses, opportunities and threats of the area. It should be recorded in such a manner that the negative and positive indicators as well as the desired outcomes can be easily defined and incorporated into the business plan of the respective entity as objectives, and the strategic planning documents compiled by the Council.

Once the additional micro-economic data have been determined, this should be incorporated into the analysis in order to provide the foundation for a comprehensive overview report evaluating the business health status, opportunities and shortcomings of the area. Ideally the recommendations should be jointly formed and

agreed to, incorporating finite action points, duties and responsible persons, all recorded in a plan of action.

The refined profiling process that can be adopted is illustrated in the following example:

|  |               |
|--|---------------|
| <p align="center"><b>MONITORING BUSINESS AREA (ECONOMIC) HEALTH –<br/>SECOND PROFILE</b></p> |               |
| Profile Date -   | Reviewed By - |
| <b>PART A - Area Confirmation</b>  |               |
| Location   |               |
| Accepted Area Boundaries   |               |
| General Plan reference   |               |
| GIS Data Reference   |               |
| Municipal Sub-Council  |               |
| Principal Contact Person / Entity  |               |
| Other relevant data  |               |



|   |  |
|---|--|
| <b>PART B – Area Description</b>                      |  |
| Surrounding Location                                  |  |
| Main Land Uses and Zoning                             |  |
| Socio-Economic Conditions                             |  |
| Main Infrastructure, e.g.<br>Transport, Public Venues |  |
| Developmental Trends / Projects                       |  |

## MONITORING BUSINESS AREA (ECONOMIC) HEALTH – SECOND PROFILE

### PART C – Description of Existing Services and Proposed Activities

|  | Existing | Proposed |
|--|----------|----------|
| 1. Primary Services<br>Obtained from Questionnaire No. One     |          |          |
| 2. Service Area Boundaries                                     |          |          |
| 3. No. of Rateable Properties and<br>Per Property Type         |          |          |
| 4. Total Value of Rateable<br>Properties and Per Property Type |          |          |
| 5. Municipal / Sub-Council Projects                            |          |          |
| 6. Other Relevant Data   |          |          |



|  |  |
|--|--|
| <b>PART D – Economic Profile</b>                                   |  |
| 7. Surrounding Business Activity                                   |  |
| 8. Main Land Uses / Commerce                                       |  |
| 9. Economic Indicators   |  |
| <b>Monitoring Business AREA (Economic) Health – SECOND Profile</b> |  |
| 10. Physical Conditions in the Area<br>Access / Egress             |  |
| 11. Infrastructure Type and Status                                 |  |
| 12. Trends   |  |

| SWOT ANALYSIS |  |
|---------------|--|
| Strengths     |  |
| Weaknesses    |  |
| Opportunities |  |
| Threats       |  |



|  |   |
|--|---|
| <p>Action Plan -<br/>Recommendations</p> | <p>Decision making on whether:</p> <ul style="list-style-type: none"><li>• There is sufficient information to indicate an early intervention through internal mechanisms;</li><li>• There is sufficient information to begin engaging with the community with respect to a possible further intervention;</li><li>• There is sufficient information to report back to the community following a request for an intervention, and to begin discussions on the possible types and appropriateness of interventions available</li><li>• There is insufficient information on which to base a decision and the next research process should commence.</li></ul> |
|--|---|

## **- STEP FOUR -**

### **GATHERING MICRO-ECONOMIC DATA AND EVALUATING CURRENT BUSINESS AREA HEALTH**

#### **Measuring the Economic Indicators of the Area**

The second set of **quantitative** data that should be gathered involves establishing the economic performance and relative impact of the area concerned, the criteria for which may well differ from area to area. In this case the municipality's own research facilities, together with those of public bodies may have to be taken into account, again depending in particular on the percentage of business within the area concerned.

Formal agreement needs to be reached between the respective parties and the municipality, because much of the information required in respect of both economic indicators and service levels is based on a reliance on municipal resources where information is simply not available, or where assumptions may have to be made in others.

As with the case of a perception audit, some variables will differ depending on the nature of the area and its predominant characteristics (commercial/retail or residential or industrial or generally distressed) and of course its size.

However, in analysing indicators it should be understood that situations can be changed or altered by a change in the environment beyond the control of the community entity involved and therefore cannot be seen in isolation as a definitive measure of success or failure. If, for example, acts of terror were to begin in a certain area after the initiative's implementation, perceptions will be highly negative and might not be affected by improved security or cleansing.



From a micro-economic point of view, some of the variables that must be measured or tracked include-<sup>1</sup>

| <b>AREA [-----] EXAMPLE RECORD OF ECONOMIC INDICATORS</b>            |                              |                           |
|--|------------------------------|---------------------------|
| <b>INDICATOR</b>   | <b>TYPE OF AREA INVOLVED</b> | <b>SOURCE</b>             |
| Commercial vacancy rates – measured over 3-5 year period, per sq. m. | Commercial or mixed          | CHAMBER / PROPERTY ASSOC. |
| Retail vacancy rates – measured over 3-5 year period, per sq. m.     | Commercial/retail or mixed   | CHAMBER / PROPERTY ASSOC. |
| Industrial vacancy rates – measured over 3-5 year period, per sq. m. | Industrial                   | CHAMBER / PROPERTY ASSOC. |
| Property values – measured over 3-5 year period, per sq. m           | All                          | CHAMBER / PROPERTY ASSOC. |
| Property sales – measured over 3-5 year period, per sq. m.           | All                          | CHAMBER / PROPERTY ASSOC. |
|  |                              |                           |

<sup>1</sup> Note that in certain, particularly smaller, areas (Athlone by way of example), not all indicators above will be appropriate. It will remain the decision of the City to attribute criteria or indicators for each area selected.

|  |   |  |
|--|---|--|
| Property upgrades (all levels, from simple graffiti removal to repainting to additions or renovations or upgrades)       | All   | CITY<br>/PARTNERSHIP<br>/ AREA<br>INITIATIVE / and<br>or CID / |
| New construction levels  | All except established residential                                | CITY /<br>PARTNERSHIP /<br>AREA<br>INITIATIVE and<br>or CID    |
| Property prices per sq. m.   | All Residential based on average price houses in the target area. | Business   |
| Type and number of new business and type and extent of lost business   | All except residential  | CITY /<br>PARTNERSHIP /<br>AREA<br>INITIATIVE and<br>or CID    |
| The type of business services in the area (accountants, lawyers, IT specialists and so on)                               | All except residential, and industrial only if relevant           | CITY /<br>PARTNERSHIP /<br>AREA<br>INITIATIVE and<br>or CID    |
| The number and nature of jobs existent in each macro or micro area and any statistics about movements up or down in this | All except residential  | Commerce and<br>CITY   |



|  |  |   |
|--|--|---|
| regard   |  |   |
| The extent to which the area contributes to the overall economic wellbeing (no. of jobs, no. of businesses, economic turnover) of the micro-area concerned | All except residential                             | CITY  |
| Impact of sports or entertainment infrastructure on the local economy  | All areas  | CITY and selected Events Co-ordinators  |
| Retail footfall movements  | Retail areas                                       | Retailers themselves who have been there long enough to form an opinion on trends or current status |
| Extraordinary events – examples would be the Cricket World Cup (positive) or bomb blasts (negative)  | All areas  | City and selected Events Co-ordinators / Dept of Community Safety                                   |
| Crime Levels   | Crime statistics which indicate incidents of crime | South African Police Services   |

|  |   |        |
|--|---|--------|
|  | annually over a three year period in the area selected (four years prior plus the current year) | (SAPS) |
|--|---|--------|

It is may be difficult to establish every piece of desired data, particularly for smaller areas, and therefore to measure economic health to a high degree of accuracy.

It is at this point that a decision should be made whether a user or perception audit is necessary to inform the business area enhancement mechanism of choice or whether a choice can be made without it.

The key questions to inform this decision are:

- Have sufficient data been gathered to indicate what intervention, if any, is required and how has that data been 'tested' against the sentiment and local knowledge of the target area business community and users?
- If any intervention is to be initiated, are there sufficient methods in place to track the implementation and achievements of such an initiative?
- Similarly, if no intervention is deemed necessary, are there sufficient methods in place to track the ongoing performance and health of the area?



## **- STEP FIVE -**

### **UTILISING A STANDARDISED PERCEPTION ASSESSMENT MODEL FOR ASCERTAINING AND MONITORING CURRENT PERCEPTIONS OF SERVICE PROVISION AND BUSINESS AREA HEALTH**

#### **Conducting user perception surveys**

The need to conduct the survey up front is twofold. Firstly, it will be an input to establish whether the proposed supplementary services the target area is suggesting are in fact required and, from a communications point of view, it will assist with the essential ratepayer consultation process. Secondly, it allows for a tracked performance annually, which the municipality may want or need to build into its IDP process. In other words, perceptions should ideally be tracked and professionally evaluated on an annual basis.

It is also necessary to distinguish between service-related questions (perceptions) and public policy-related questions (often opinions, but generally fuelled by perceptions or experience). Both are useful, particularly to the municipality. In the first instance, the advantage is clear and perceptions allow the municipality to track performance according to the views and expectations of ratepayers.

In respect of public policy issues, notably but not limited to informal trading, information from defined areas can give the municipality a good indication of whether public policy needs to be reassessed, whether it is sensible and workable in one area but needs revision in another, or whether new legislation or policy has affected growth or performance.

This then is a valuable tool for the community to communicate its perceptions and for the municipality to evaluate new or proposed public policy which directly affects economic health.

It is preferable that surveys be conducted annually at the same time, timed to allow for adequate budgetary planning. This would indicate that surveys be undertaken in September each year, although results (perceptions of cleanliness, by way of

example) may be affected by high winds and other environmental factors that can affect perception.

### **What to measure**

The questionnaire should aim to achieve four major objectives.

#### **Perception of service**

- Test the perception of the current levels of service;
- Whether it is perceived to be less than currently required;
- What services/activities are to be included in the business plan as supplementary.

It should be clear that the current /existing levels of service to the area need to be established prior to the perception audit taking place.

#### **Prevalent environment**

- The presence of police personnel;
- The presence of graffiti;
- The presence of street children
- The presence of prostitutes and drug dealers.

This is not considered to be affected directly by supplementary services, but all have a direct impact on the area's ability to be successful or attract investment, as the case may be.

In this case, this kind of information is valuable in that it identifies the potential underlying problems, mainly of a social nature, that persist in a given area.



It also allows the community involved to decide for themselves the extent or level of co-operation with or funding of certain social priority initiatives in the area.

### **Positive assets and initiatives**

- Identified
- Evaluated

It is especially critical that both the municipality and recipient community understand what takes priority in respect of maintenance, enhancement, support or protection, as the case may be.

### **Council's need for information**

- An opportunity for the municipality to view the area in addition to the formalized input of the normal ratepayer groups;
- An opportunity for the municipality to view the area in the absence of formalized input of ratepayer groups / civic associations.

While the intention is not to dominate or complicate the survey with difficult or overly detailed questions, given that perception audits should cover those living in, or visiting, or working in a given area, the view of all the people who have an impact on an area should be gauged.

### **What and who to ask**

Again, this may well depend on the nature of the initiative envisaged and to this end a questionnaire should be a composite, which allows for different types of areas to be surveyed. In some cases, simply the views of a sample of businesses may suffice (industrial areas are a case in point) whereas in commercial and retail areas, a more representative sample of businesses on the ground and users of or visitors to the area may be needed.

Additionally it is useful to know from where the main user base is being drawn in any given case and, where possible, to track any changes.

Research indicates that in some surveys only issues of maintenance and cleansing seem to have been surveyed. In other cases perception audits have addressed the two predominant issues – cleansing and security – as well as many other issues depending on the area surveyed and what the obvious problems and priorities were.

It was accepted that testing only one particular issue does *not* provide for a full understanding of perceptions of the area. Nor does it give respondents the chance to highlight other areas of need and therefore where supplementary services are being supplied or perhaps, in extreme cases, where public policy may need revision or amendment. Furthermore, the sample needs to be carefully selected to include residents, business owners and visitors/employees in order to be representative and truly indicative.



## **- STEP SIX -**

### **PERFORMANCE MANAGEMENT AND DATA REVIEW**

#### **Introduction**

Once an initiative has been formed and is operating, an agreed timescale to measure performance is required in order to assess and monitor progress. We would recommend that research be repeated *annually* and reported back to all participants, both within the municipality and externally.

Ideally research should be conducted at the same time and in specific areas for each target area, because that usually allows for a greater degree of reliability of data.

#### **Performance Management and Data Review Process**

The following would pertain:

##### **Contractual Performance - Monthly**

Assuming that the initiative is structured a legal entity/company and that such company's management body subscribes to the business plan and the municipality undertakes to sign a service level agreement (SLA), both are reciprocally responsible for monitoring this as part of their management agreement. This information is usually gathered on a weekly basis and jointly reviewed each month.

This performance evaluation will give the municipality relevant feedback on the municipality's delivery within the terms of the SLA and the initiative's management body's performance with respect to its business plan.

##### **Economic data collection and review - Annual**

These data will provide the municipality and the initiative's management body with an indication of how successful the initiative has been in delivering, depending on the area concerned. The information should be gathered bi-annually and reported annually. However, results of this survey, while annually

reported, should ideally not be judged until a three-year cycle has been completed.

#### Perception auditing - Annual

As mentioned above, perceptions can be affected by a wide range of issues, developments and other activities which bear no or limited relation to the successful operation of an initiative. However, perceptions are a good indication of how both ratepayers in the area and users of the area perceive it to be successful.

#### Financial audits - Annual

In terms of the Company Law governing legal entities/companies, an annual financial audit, paid for by the initiative involved and conducted by accredited auditors, needs to be undertaken.